Company Registration No. 08170768

THAME AND LONDON LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

At Travelodge, our purpose is to provide affordable travel for everyone. We aim to offer our customers the right balance of location, price and quality to suit their travel needs.

Our strategy is to make Travelodge better for our key stakeholders – customers, colleagues and investors including shareholders, lenders, landlords and other creditors including key operational suppliers, local authorities and communities; and for the future, underpinned by our "Better Future" sustainability strategy.

In 1985, Travelodge became Britain's first value hotel brand when it launched in the UK, opening its first hotel at Barton under Needwood in the heart of England. Since those early days, we have welcomed millions of customers to Travelodge and we now have 595 hotels and approximately 46,000 guest bedrooms, right across the UK as well as in Ireland and Spain.

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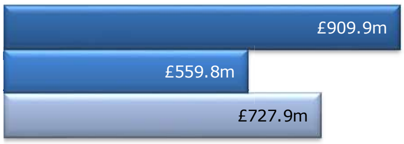
Highlights

Total underlying revenue

£909.9m

(2021: £559.8m)

(2019: £727.9m)



EBITDA (adjusted) [(3)]

£212.9m

(2021: £81.1m)

(2019: £129.1m)

Statutory operating profit

£263.6m

(2021: £145.0m)

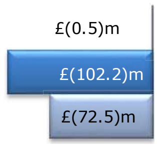
(2019: £157.7m)

Statutory loss before tax

£(0.5)m

(2021: £(102.2)m)

(2019: £(72.5)m)



2022 Performance Headlines

- Total underlying revenue[4] up 25.0% to £909.9m (2019: £727.9m, 2021: £559.8m)
- Occupancy[1] up 1.0pts to 81.8% (2019: 80.8%, 2021: 62.7%)
- Average room rate[1] up 22.5% at £64.31 (2019: £52.51, 2021: £52.72)
- RevPAR[1] up 23.9% to £52.59 (2019: £42.46, 2021: £33.04)
- RevPAR performance 10.9pts ahead of the competitive segment[2] vs 2019
- EBITDA (adjusted)[3] of £212.9m, £83.8m ahead of 2019 (2019: £129.1m, 2021: £81.1m)
- Statutory Operating Profit of £263.6m (2019: £157.7m, 2021: £145.0m)
- Statutory loss before tax of £(0.5)m (2019: £(72.5)m, 2021: £(102.2)m)Cash of £154.2m at 31 December 2022 (2019: £89.2m, 2021: £142.8m)
- Over £100m of de-leveraging in 2022
- Rating agency upgrades to B3/B-
- 6 new hotels opened, including one Irish franchise
- Total network now 595 hotels and 45,761 rooms as at 31 December 2022

Note that 2019 is the last comparable year for the business, being prior to the restrictions during the pandemic from March 2020. As such, percentage changes re calculated with reference to 2019 and measures are provided with the comparative of 2021 and 2019.

1 Revenue per available room (computed as product of the average room rate for a period multiplied by the occupancy for that period), average room rate and occupancy on a UK like-for-like basis (for hotels opened before 1 January 2019) for the management accounting period 30 December 2021 to 28 December 2022 and 3 January 2019 to 1 January 2020 for the year.

2 Our competitive segment is the Midscale and Economy Sector (MS&E) of the UK hotel market as reported by Smith Travel Research (STR), an independent hotel research provider, providing aggregate benchmarking information on the UK and other hotel market performance.

3 EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation and non-underlying items, on a pre-IFRS 16 basis, and before rent phasing adjustment[5]. In this measure, the rent reductions agreed during the CVA (for 2020 and 2021) are recognised in the year in which the benefit occurred (in order to closely reflect cash payments), and the benefit of rent free periods agreed in the ordinary course of rent negotiation, are spread on a straight line basis until the next rent review (normally five years from initial agreement). Non underlying items have been removed as they are related to items that are considered to be significant in nature and quantum, and not in the normal course of business. The calculation for this measure is consistent with prior years. See APM glossary pages 119-127 for further details and statutory reconciliations.

4 Non-underlying items have been removed as they are related to items that are considered to be significant in nature and quantum, and not in the normal course of business.

5 Rent phasing adjustment = the adjustment of the rent element of the EBITDA (adjusted) calculation, so that the benefit of rent free periods and the CVA rent reductions are spread over the full remaining life of the lease. This is most closely aligned with the accounting treatment for rent pre-IFRS 16. The calculation for this measure is consistent with prior years. See APM glossary pages 119-127 for further details and statutory reconciliations.

Chairman's Statement

Overview

Travelodge's performance in 2022 was excellent, with record levels of revenue, profitability and cash generation. We also deleveraged the business and its credit rating was raised, so we move into 2023 in the best ever shape.

Travelodge is a leading brand in the growing and resilient budget hotel sector and continued its unrivalled track-record of out-performing that sector for the eighth year in a row. In order to maintain this industry leading performance, we began the rollout of a major hotel refit program - the new look 'budget luxe' rooms being initially rolled out into 64 hotels, alongside enhanced public areas and a new style bar cafe. Customer reaction has been very positive.

The excellent trading patterns have continued into 2023, driven by a combination of leisure and business demand. People are prioritising experiences over material purchases and regard Travelodge as the ideal base. I am optimistic that Travelodge will continue to perform strongly and build on the record performance in 2022, in spite of the ongoing macro-economic uncertainty.

Governance and the Board

- On 16 May, 2022, Craig Bonnar, the Company's previous Chief Executive Officer resigned from the board. Under Craig's leadership Travelodge successfully navigated significant periods of uncertainty and I'm grateful for his support.
- On the same day, Jo Boydell was appointed as the new Chief Executive Officer. Jo Boydell was previously Travelodge's Chief Financial Officer for nearly ten years and is the perfect person to lead the business through its next stage of growth.
- Ion Dagtoglou, who served as Goldman Sachs' owner-appointed non-executive director, stepped down from the board on 28 September 2022. I'm thankful for Ion's support during his time on the board.
- On 23 December 2022 Avenue Capital Group divested all of their shares in Anchor Holdings S.C.A., the parent company of Thame and London Limited, to funds managed by GoldenTree Asset Management LP, the existing majority shareholder.
- Following the acquisition of Avenue's shareholding by funds managed by GoldenTree Asset Management LP, Helen Normoyle has been re-appointed as an independent non-executive director.
- In March 2023, Goldman Sachs Group, Inc. divested all of their shares in Anchor Holdings S.C.A., an indirect parent company of Thame and London Limited, to funds managed by GoldenTree Asset Management LP, the existing majority shareholder.

Our People

The performance of the business in 2022 reflects the entire team's hard work and dedication. With over 12,000 colleagues across the business, I would like to thank every single person for their contribution and it makes me incredibly proud to work for Travelodge.

Looking Ahead

The budget hotel sector in general, and Travelodge in particular, continues to demonstrate resilience, as consumers seek out value in tougher times. I am therefore confident that the encouraging trading and positive momentum we have witnessed in early 2023 will continue amidst the uncertain macroeconomic backdrop.

We have a well-developed growth plan, a strong and committed team and an integrated and comprehensive sustainability plan called "Better Future". I am proud to be a part of such a commendable business.

Martin Robinson
Chairman
13 April 2023

Chief Executive's Review

Travelodge has delivered record financial results in 2022, significantly ahead of its previous record year in 2019. This performance reflected the strength and resilience of the UK budget hotel market which performed strongly in 2022, driven by strong levels of domestic leisure demand and a rapid recovery in 'blue collar' business demand, together with our continued outperformance against the MS&E segment. There are clearly inflationary cost pressures impacting the industry, and Travelodge is not immune, but costs remained well controlled, supported by our industry leading operating cost model and strong supplier relationships.

Trading in quarter one has remained strong, supported by strong leisure and 'blue collar' demand, with revenue approximately 30% ahead of 2022 levels and approximately 40% ahead of 2019 levels. Travelodge has performed in line with the segment vs 2022, reflecting the very strong London Q1 2022 comparable and the refit of two large Central London hotels in Q1 2023. We have continued to outperform the segment vs 2019.

As previously announced, we were pleased to complete the lease regear with LXI on 27 January 2023, replacing uncapped RPI rent reviews with capped and collared (4% pa and 1% pa) CPI+0.5% based reviews and lease extensions, for 97 of the 122 leases. The remaining leases, subject to obtaining superior landlord consent, are expected to complete in quarter two.

Whilst the current macro-economic backdrop and cost of living crisis creates some uncertainty, the budget hotel segment has proven resilience and we expect to benefit from a number of positive demand drivers. This, combined with our strong cost control, healthy cash position and recent rating agency upgrades reflecting our improved debt metrics, positions Travelodge strongly for the future.

I am also pleased to welcome Aidan Connolly, to the business as Travelodge's Chief Financial Officer. Aidan brings extensive experience in driving strategic initiatives, business growth, treasury and refinancing activities, risk and diversity in a broad range of sectors and private equity backed businesses and I am looking forward to working with him as we continue to grow and develop the business.

Performance Overview

The UK budget hotel market performed strongly in 2022, with revenue growth vs 2019 levels ahead of the total UK hotel market, driven by strong levels of domestic leisure demand and a rapid recovery in 'blue collar' business demand, more than offsetting the more gradual recovery in 'white collar' corporate demand.

Travelodge's UK like-for-like RevPAR for the year ended 31 December 2022 was up 23.9% on 2019 levels, approximately 10.9pts ahead of the Smith Travel Research (STR) MSE benchmark competitive segment.

Total revenue and total underlying revenues for the year were up 25.0% on 2019 levels, with the additional benefit of new hotels.

There are clearly inflationary cost pressures impacting the industry, and Travelodge is not immune, but costs remained well controlled, supported by our industry leading operating cost model and strong supplier relationships.

Travelodge delivered record profits with EBITDA (adjusted) of £212.9m (2019: £129.1m, 2021: £81.1m) and Operating Profit of £263.6m (2019: £157.7m, 2021: £145.0m).

We ended the year with a strong liquidity position, with cash of £154.2m after de-leveraging by over £100m in 2022. We were also pleased that both Moody's and S&P upgraded our credit rating in late 2022 and early 2023 to B3 and B- respectively, reflecting our strong performance and stable outlook.

Outlook

The MSE segment continues to be the strongest performing market segment in the UK hotel market, benefiting from its domestic focus, business/leisure mix and value proposition.

Whilst the current macroeconomic environment is putting pressure on household spending and consumer choices, customers are still choosing to travel and we expect to benefit from trade down from other hotel segments into the budget hotel segment.

As a reminder each 1 percentage point change up or down in RevPAR compared to 2019 levels would be expected to impact Travelodge revenues by approximately £7-8m over a year.

We face a number of cost headwinds and expect cost inflation in 2023 of approximately 7-8%. This reflects the significant inflationary pressures facing the wider UK economy, as well as some specific supplier price increases impacting laundry and F&B, on which we continue to work with suppliers.

Chief Executive's Review (continued)

Outlook (continued)

The National Living Wage will increase by 9.7% from 1 April 2023 and the 2022 National Insurance increase of 1.25% has been reversed. Our single largest cost is rent, and as a reminder the majority of our leases are either RPI or CPI based 5-yearly upwards only rent reviews with no caps or collars, although almost half of our leases now contain caps and collars following the LXI re-gear. The review pattern across all leases is spread broadly evenly over a 5-year period. We expect rent to be between £250-260m in 2023, reflecting the impact of rent reviews and new hotel openings in 2022 and 2023.

The majority of our energy volumes were fully hedged to the end of March 2023 under historical arrangements. In March 2023 we entered into new hedges for a significant proportion of 2023 forecast volumes and expect energy costs to increase from 2022 levels by high single digit millions to approximately £35m.

As previously announced, the 2020 CVA has been fully implemented and is now formally at an end. The CVA included an excess cumulative EBITDA landlord rent payment clause, whereby if the cumulative EBITDA (adjusted) from 2020 to 2022 is more than £200m, two-thirds of the excess is payable to landlords. As a result of Travelodge's excellent 2022 trading performance, we will make a one-off payment under this clause of c. £13m in April 2023. As a reminder, the rent reductions under the CVA ended at the end of 2021 and Travelodge paid full rents for 2022.

Our refit programme, including the new look room and improved reception and bar cafe, is progressing well with positive commercial and customer impacts. In 2022 we completed c. 14% of the room estate and expect to complete a further c. 10% by the end of 2023, including two large Central London hotels in Q1 2023. We are also continuing our ongoing investment in hotel maintenance, health & safety, IT, development and projects, including energy efficiency. Capital expenditure in 2023 is expected to be approximately £90m and will continue to be reviewed in line with trading conditions.

So far this year we have opened a new hotel in Madrid which is our first new hotel opening in Spain for over ten years and we are exploring opportunity to grow further in the Spanish market. We expect to open approximately eight new hotels in 2023, adversely impacted by a number of factors, including Covid-19 in 2020 and challenging market conditions across the real estate sector. We expect to return to more normal levels of openings as these factors subside.

Overall Position

Whilst the current macro-economic environment creates uncertainty, the budget hotel segment has proven resilience, performs strongest in tough economic times and we expect the segment to benefit from a number of positive demand drivers including continued staycation demand, trade down to budget hotel operators, changes in working patterns, events and also indirectly from inbound tourism as a result of the weak pound.

With our large and diversified network of hotels, strong brand and direct distribution model, combined with our value proposition, focus on domestic travel and attractive business/leisure mix, as well as our sustainability strategy 'Better Future', we are well positioned. We remain confident in the long-term prospects for budget hotels and excited about the future growth opportunities.

Joanna Boydell
Chief Executive Officer

13 April 2023

Our Business Model

Who We Are

- UK's second largest hotel brand based on number of hotels and rooms
- Positioned in the attractive value segment with 595 hotels and serving c. 46,000 rooms
- Multiple room formats offering customers choice
- Well balanced business / leisure customer split
- Almost 90% booking direct, with over 80% through own websites
- Low upfront capex leasehold model

Founded in 1985, Travelodge is the second largest hotel brand in the United Kingdom based on number of hotels and number of rooms operated.

We are predominantly a leasehold operator, and lease, franchise, manage and own 595 hotels and c. 46,000 rooms throughout the United Kingdom, Ireland and Spain.

The United Kingdom has one of the world's strongest hotel markets.

Historically, the performance of the UK hotel industry has correlated with the strength of the UK economy generally. Other macro-economic factors also influence the demand for hotel accommodation from domestic travellers, particularly business investment, employment levels, wages, consumer spending and consumer confidence. The performance of the UK hotel industry is also affected by the number of travellers coming to the United Kingdom from other countries.

We operate in the midscale and economy ("MS&E") sector of the hotel market (as defined by STR) and are positioned as a low-cost operator, offering standardised, modern guest rooms at affordable prices to both business and leisure customers. We aim to offer our customers the right balance of location, price and quality for their travel needs.

The UK hotel industry recovered strongly during 2022, benefiting from increased consumer demand across both leisure and business. According to data produced by STR the MS&E sector showed the strongest recovery across the UK market and ended 2022 significantly ahead of 2019.

The UK hotel industry is not immune to the current macro-economic uncertainty, including the cost of living crisis, which may impact consumer demand and choices. However, there are also a number of positive demand drivers, in particular for the MS&E sector, including potential trade down to the budget sector of the market.

The MS&E sector is the largest and has historically demonstrated strong growth and resilience. According to data produced by STR, the top two hotel brands by number of hotels and number of rooms in the United Kingdom, are both positioned in the MS&E sector. In addition, budget operators have historically shown stronger resilience than the wider industry across the hotel cycle.

We operate multiple room formats across our hotels, namely our core standard rooms, twin, family and accessible rooms as well as our "premium economy" SuperRooms.

We estimate that we attracted approximately 21 million customers in 2022, compared to over 19 million in 2019 pre-pandemic and approximately 90% of our bookings were made through our direct channels, mainly on our own website.

In 2022, we employed over 12,000 people across our hotels and support offices, the majority of whom are on hourly paid contracts.

Within our largest market, the United Kingdom (representing 98% of our total revenue in the year ended 31 December 2022), we operated 43,914 rooms (or 96% of total rooms) in 579 hotels, with c. 22% of our rooms located in London and c. 78% located in regional areas across the United Kingdom. The majority of our rooms in the United Kingdom are leasehold, we also operated one hotel under a freehold and 10 hotels under management contracts in the United Kingdom. More than 93% of our UK revenue for the year ended 31 December 2022 was generated from accommodation, with the remainder from food and beverage and retail and other sales. In addition, we operated a further 1,226 rooms in 11 hotels under franchise in Ireland and Northern Ireland, including a new Dublin City Centre hotel opened in 2022, and a further 5 hotels in Spain. In addition, in early 2023 we opened a new hotel in Madrid, the first in over ten years.

We have continued to make investments to strengthen the quality of our offer. Following extensive customer research in 2021 we launched our new design in early 2022, transforming the look and feel of our hotels, rooms and bar cafes.

The new design delivers a warmer and more welcoming environment, updated room features and greater comfort. We plan to refit the entire estate over a c. 7 year refit cycle, with interim works during this cycle in selected hotels.

We also led the industry with the launch of our "premium economy" room type, SuperRooms, adding that little bit more choice for customers, including a coffee machine, rain shower, choice of pillow and in-room hairdryer, iron and ironing board. As of 31 December 2022, we operated 2,125 SuperRooms in 62 hotels across the United Kingdom.

Our Business Model (continued)

The investments in our estate are supported by a consistently implemented standardised and disciplined approach to operations. We operate our hotels with a standardised room cleaning process, we continue to make investments in

automation, we have processes in place to monitor our customers' experience, we provide in-person and online training modules for our colleagues and we rigorously benchmark our performance by using internal customer surveys and external benchmarking, such as TripAdvisor surveys.

Our strong physical assets and standardised operational processes have allowed us to continue to deliver high levels of customer satisfaction. As of December 2022, our UK hotels had an average TripAdvisor score of four dots out of five and in 2022 we received 287 (322 in 2021) TripAdvisor Traveller's Choice Awards.

This combination of our quality network, strong operations and high levels of customer satisfaction, has helped our UK LFL RevPAR growth to outperform the MS&E sector and the UK hotel market as a whole over the last eight consecutive years.

The budget hotel segment benefits from a number of positive demand drivers, including the likely trade down from other hotel segments. We are confident in the long-term prospects for the budget sector, and excited by the future growth opportunities, including the opportunity to increase the penetration of branded budget hotels in the United Kingdom.

Strategic Progress

Our purpose is to provide affordable travel for everyone. We aim to offer our customers the right balance of location, price and quality to suit their travel needs.

Our strategy is to make Travelodge better for our key stakeholders – customers, colleagues and investors including shareholders, lenders, landlords and other creditors including key operational suppliers, local authorities and communities; and for the future, underpinned by our "Better Future" sustainability strategy.

Customers

Location
We successfully opened six new hotels in 2022 further enhancing our network with a mix of both leisure and business focused locations. At the end of 2022 our network stood at 595 hotels across the UK, Ireland and Spain.

We expect to open eight new hotels in 2023, including one hotel in Madrid, our first new opening in Spain for ten years. New hotel openings are currently impacted by a number of factors, including Covid-19 in 2020 (given the c. two to three year timeline for opening a hotel following agreement), and the adverse market conditions across all Real Estate sectors caused by high construction costs and the availability of investment finance. We expect this to return to more normal levels, of between 15-20 hotels opening per year, as these factors subside.

Price
We continue to invest in our revenue management systems and processes. We completed a major revenue management system upgrade in 2019, which in conjunction with other further investments in our analytics capability, has helped to support our track record of outperformance against the MSE segment.

2022 saw significant recovery in hotel demand, the first weeks of the year were impacted by the UK government work from home guidance in place for much of January, once this guidance was lifted hotel demand recovered strongly, with weekly 2019 levels of RevPAR exceeded by mid-February. We saw significant leisure and 'blue collar' business demand during the rest of the year, more than offsetting the slower recovery in 'white collar' demand. Event demand was particularly strong, including the Commonwealth Games and the weeks surrounding the Queen's funeral.

We maintained highly competitive pricing throughout the year, which in conjunction with our high levels of occupancy and market leading revenue management capabilities enabled us to deliver LFL RevPAR performance ahead of both the MS&E segment and the market as a whole.

We offer customers a choice of room types and rates, with all bookings having a choice of both saver and fully flexible rates and the option to include breakfast and WiFi.

Quality
Our network is well invested and we continue to make investments to strengthen the quality of our offer.

Following extensive customer research in 2021 we launched our new design in early 2022, transforming the look and feel of our hotels, rooms and bar cafes. The new design delivers a warmer and more welcoming environment with updated room features, including blackout curtains, USB charging points by the bed, a comfortable armchair to relax in and an upgraded bathroom. We also introduced a new style bar café, offering a more flexible environment in which to eat, relax or work.

In 2022, we upgraded 64 hotels and over 6,000 rooms across the estate, with strong customer feedback.

We continue to optimise our operating model, introducing technology to simplify, standardise and automate where possible, this includes our investments in cleaning with the roll-out of robot vacuums across the estate, helping to reduce the physical demands of the job for our colleagues, reducing our energy consumption and delivering cost efficiencies. We continue to enhance our operating model and in 2022, significantly increased our in-house maintenance teams, helping to improve the efficiency of the work undertaken and further supporting the quality of our offer.

Supported by these initiatives and the work of over 12,000 colleagues across the country, our average TripAdvisor rating sits at 4 dots and we received 287 TripAdvisor Traveller's Choice Awards. This was a decrease on the 322 received in 2021, reflective of industry patterns.

Colleagues

We are committed to creating an inclusive workplace, providing decent work, with opportunities to learn more, earn more, and where everyone can be their true self and belong.

We employ over 12,000 colleagues and our focus on equality, diversity and inclusion, as part of our Better Future strategy, has helped us to build on the success of our gender diversity, in particular for our hotel manager population.

Strategic Progress (continued)

Colleagues (continued)

At senior leadership level this gender representation remains at more than 40% and is increasing. We continue to be proud of the work we do, with the support of the Purpose Coalition, to contribute to improving social mobility within the communities where we operate. We provide opportunities for our colleagues, who are at the very heart of our business, to learn more, earn more and belong.

Investors

Our investors include our shareholders and lenders (owners of any financing arrangements we have, such as our bondholders), landlords and other creditors.

We hold quarterly calls with our bondholders where we present our quarterly results and open the call for a questions and answers session. We also attend at least one external event where we make ourselves available for a Group presentation and question and answer session and smaller meetings as requested.

In addition to our normal day to day contact with our landlords, every six months we hold a call for our landlords, developers and key contacts from the property industry. This provides an update on the business as a whole and our progress on key property and development activity relevant to this stakeholder group. We also issue a regular newsletter, providing a business update to property stakeholders, and engage further through events, including investment breakfast meetings.

Future

Travelodge seeks to be a responsible business in all we do. We have always placed a strong emphasis on safety and security, the environment, and our social responsibilities. However, we know that there is more we need to do.

Following extensive consultation with a wide range of stakeholders, we have developed a comprehensive sustainability plan 'Better Future' designed to mark a step-change in our sustainability agenda. The plan will help us to both improve focus and performance, and to share that progress transparently with our stakeholders.

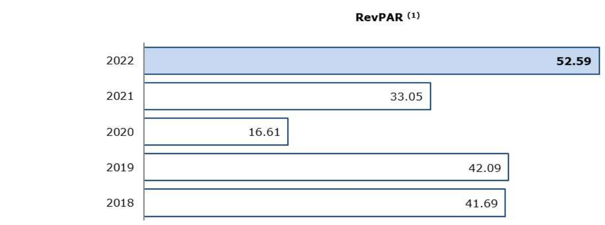
We firmly believe that sustainability has a critically important role to play in shaping the future of our business. For that reason, our sustainability plan 'Better Future' is closely aligned with our Purpose, to provide affordable travel for everyone and integrated with our wider business strategy. Following the publication of our first separate sustainability report last year we will publish an updated report this year which contains updates on our progress against targets and KPIs and highlights our focus over the coming year Some detail of that report is contained within the sustainability section of this report.

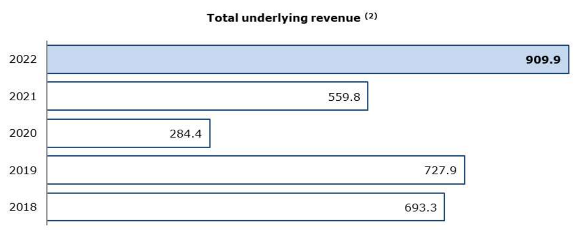
Our sustainability plan 'Better Future'

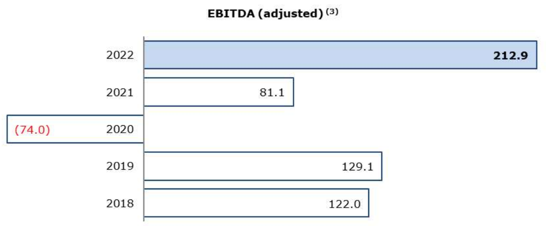
Valuing our colleagues, customers and planet is the vision that underpins the three pillars of our sustainability plan.

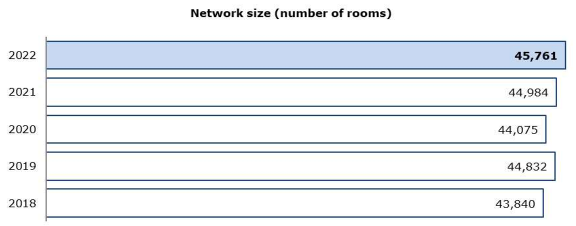
1. **Inclusive:** Ensuring Travelodge is accessible, inclusive, and affordable to its colleagues and customers.
2. **Caring:** Creating a safe and healthy environment for our colleagues and customers, and ensuring their wellbeing.
3. **Conscious:** Being conscious of the waste we produce, the energy and resources we consume, and our carbon emissions.

Key Performance Indicators









The above represent the strategic key performance indicators as monitored by the Board.

(1) Revenue per available room (computed as product of the average room rate for a period multiplied by the occupancy for that period), average room rate and occupancy on a UK like-for-like basis (for hotels opened before 1 January 2019) for the management accounting period 30 December 2021 to 28 December 2022, 31 December 2020 to 29 December 2021, 26 December 2019 to 30 December 2020, 3 January 2019 to 1 January 2020 and 4 January 2018 to 2 January 2019 for the year.

(2) Non-underlying items have been removed as they relate to items that are considered to be significant in nature and quantum, and not in the normal course of business. See APM glossary pages 119-127 for further details and statutory reconciliations.

(3) EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation and non-underlying items, on a pre-IFRS 16 basis, and before rent phasing adjustment. In this measure, the rent reductions agreed during the CVA (for 2020 and 2021) are recognised in the year in which the benefit occurred (in order to closely reflect cash payments), and the benefit of rent free periods agreed in the ordinary course of rent negotiation, are spread on a straight line basis until the next rent review (normally five years from initial agreement). Non underlying items have been removed as they are related to items that are considered to be significant in nature and quantum, and not in the normal course of business. The calculation for this measure is consistent with prior years. See APM glossary pages 119-127 for further details and statutory reconciliations.

Chief Financial Officer's Report

Results for the Group are for the full year ended 31 December 2022, with comparatives for the full year ended 31 December 2021.

In addition to the results below which are presented under IFRS, we have also provided Alternative Performance Measures results ("APMs"), some of which exclude the impact of IFRS 16, as we believe these non-IFRS measures are useful metrics for investors to understand our results of operations, profitability and ability to service debt and we also use these measures internally to track our business performance, establish operational and strategic targets and make business decisions. We have also provided an analysis of the position in line with previous accounting principles ("Before IFRS 16") to align with measurement required under our financing arrangements which all contain 'Frozen GAAP'(1) provisions. Please refer to the Glossary on pages 119-127 for reconciliations of the APMs to the statutory results.

Results
All of the figures in the commentary below are quoted on an IFRS basis, with the exception of non-underlying items which are clearly described.

Revenue
Revenue increased by £344.1m, or 60.7%, from £566.7m for the year ended 31 December 2021 to £910.8m for the year ended 31 December 2022, including £0.9m of non-underlying revenue (2021: £6.9m), relating to the release of expired vouchers issued in relation to cancelled stays during periods of lockdown (there are no further vouchers in circulation for this purpose).

The first weeks of 2022 were impacted by Covid-19 and the work from home guidance, which affected mid-week demand, in particular in Central London. Following the lifting of the work from home guidance performance recovered quickly and was ahead of 2019 levels by early February. This trend has continued driven predominantly by rate but also higher occupancy levels benefiting from strong levels of domestic leisure demand and a rapid recovery in 'blue collar' business demand together with a more gradual recovery in 'white collar' corporate demand. We also benefited from the reduced VAT rate in quarter 1.

In the comparative 2021 year, the effects of the Covid-19 pandemic impacted the business heavily. At the start of 2021 restrictions throughout the UK meant guests were only allowed to stay in hotels for work, education or other legally permitted reasons, but not for leisure purposes. We started the year with 354 UK hotels open and trading, with closures in January leaving only 295 hotels open at the end of the month. All available hotels were reopened by 17 May 2021, following which demand and revenue gradually improved to the end of September.

Operating expenses (excluding depreciation, amortisation and impairment)
Operating expenses increased by £173.8m, or 58.5% from £296.9m for the year ended 31 December 2021 to £470.7m for the year ended 31 December 2022, predominantly due to trading levels.

Increases in cost of sales were mainly due to higher laundry costs and food and beverage costs reflecting the increase in occupancy levels and inflation.

Employee costs (before non-underlying items) increased by £55.6m from £150.5m for the year ended 31 December 2021 to £206.1m for the year ended 31 December 2022 which reflect the trading levels, the end of the government's job retention scheme in 2021, the impact of the National Living Wage increase in the like-for-like estate and the additional staff in our new and maturing hotels. In addition, within the year, employees (other than senior management) across the organisation received cost of living vouchers, at a gross cost of £4m.

Business rates increased from £6.7m for the year ended 31 December 2021 to £37.9m for the year ended 31 December 2022, mainly driven by the end of the hospitality business rates holiday in Wales and Scotland c. £1.0m benefit in 2022 (2021: c. £21.0m), government support grants of c. £2.0m in 2022 (2021: c. £10.0m). Utility costs increased by £7.9m year on year driven by increased trading.

Other operating expenses (before non-underlying items) increased by £45.6m from £84.6m for the year ended 31 December 2021 to £130.2m for the year ended 31 December 2022. This was driven by costs associated with increased trading such as maintenance and transaction fees and higher marketing spend, as well as increased costs from new and maturing hotels.

In addition, non-underlying items(1) relating to operating expenses were a charge of £8.4m for the year ended 31 December 2022 compared to a credit of £3.3m for the year ended 31 December 2021. The £8.4m charge related to legal and advisor costs in connection with the new management incentive scheme (see Note 23); the share based payment charge for the year of that scheme and compensation for loss of office on the departure of the former Chief Executive Office (see note 9), whilst the £3.3m credit for 2021 related to a provision reassessment.

Other income
Other income remained the same at £0.6m for the year ended 31 December 2022 and year ended 31 December 2021, and mainly relates to compensation for room damage and smoking fines.

(1) Refer to definition under the Alternative Performance Measures section (See APM glossary on page 120 for definition)

Chief Financial Officer's Report (continued)

Rent
Net rent receivable decreased by £14.2m, from £4.2m for the year ended 31 December 2021 to a net payable position of £10.0m for the year ended 31 December 2022, mainly reflecting the non-underlying £13.4m charge for the Excess Cumulative EBITDA rent payment clause in the 2020 CVA as a result of the cumulative performance of the Group during its 2020, 2021, and 2022 financial years.

Depreciation, amortisation and impairment
Depreciation increased by £9.6m from £144.5m for the year ended 31 December 2021 to £154.1m for the year ended 31 December 2022. Depreciation is driven mainly by ongoing investment in the refurbishment of our estate together with ongoing maintenance, health and safety measures, energy efficiency projects, IT hardware and new hotel openings. The increase is primarily due to the increase in fixed asset additions during the year. Amortisation of IT software decreased by £1.2m to £3.9m for the year ended 31 December 2022, due to fully written down computer software.

Impairment charges were nil for the year ended 31 December 2022 compared to a £0.3m impairment of right of use assets, intangible assets and property, plant and equipment for the year ended 31 December 2021.

Loss on disposal of fixed assets
The loss on disposal of fixed assets is £9.1m, £7.2m of which relates to the write off of assets as a result of the refit programme and £1.9m is due to the landlord instigated surrender of the lease at the original London Docklands hotel as the new hotel opened (non-underlying item).

Finance costs
Total finance costs (after investor loan interest) increased by £18.6m, or 7.5%, from £247.4m for the year ended 31 December 2021 to £266.0m for the year ended 31 December 2022. The increase was predominantly due to higher floating rate bond interest payments, driven by the increase in SONIA rates in 2022, partially offset by lower interest on the revolving credit facility due to the full repayment of drawings on 30 May 2022 and the term loan facility which was repaid in October 2022.

Interest on lease liabilities was a cost of £194.4m for the year ended 31 December 2022, up £9.6m, or 5.2%, from £184.8m for the year ended 31 December 2021. The increase was mainly due to new leases on five additional sites during the year and the regearing of four existing leases to include capped rent reviews.

Bond interest costs increased by £5.8m from £29.8m for the year ended 31 December 2021 to £35.6m for the year ended 31 December 2022 following the transition from LIBOR to SONIA in January 2022. Bank interest costs decreased from £8.8m for the year ended 31 December 2021 to £7.2m for the year ended 31 December 2022, following the repayment of the revolving credit facility during the year and the full repayment of the term loan facility of £60m in October 2022.

Finance fees increased by £1.5m from £3.7m for the year ended 31 December 2021 to £5.2m for the year ended 31 December 2022. This increase was due to the release in full of prepaid fees on the term loan. These fees were previously capitalised and being amortised over the term of the loan but expensed in full at the point of settlement.

Investor loan interest increased by £0.1m, or 0.5%, from £20.2m for the year ended 31 December 2021 to £20.3m for the year ended 31 December 2022.

In addition, non-underlying items(1) relating to finance costs were a £3.3m charge for the year ended 31 December 2022 (2021: £nil) being costs incurred following the early repayment of the term loan.

Finance income
Finance income increased by £1.7m from £0.2m for the year ended 31 December 2021 to £1.9m for the year ended 31 December 2022. The increase was due to an increase in cash balance and base rate during the year.

Profit/Loss Before Tax
Statutory loss before tax was £0.5m for the year ended 31 December 2022, £101.7m better than the loss of £102.2m for the year ended 31 December 2021, benefiting mainly from the improvement in revenue due to the lifting of the work from home guidance in early 2022, along with strong levels of domestic leisure demand.

Taxation
Income tax is recognised based on management's best estimate of the income tax rate expected for the financial year, which includes the impact of legislation in relation to hybrid mismatches, corporate interest restriction and amendments to the use of carried forward losses.

There was an overall tax charge of £0.2m for the year ended 31 December 2022 relating to a current tax charge of £1.0m and a deferred tax credit of £0.7m, plus a further £0.1m credit for the release of a provision for the HMRC tax enquiry that was settled in the period, and a tax charge of £3.8m for 31 December 2021 (current tax charge: £nil; deferred tax credit: £0.2m; non-underlying tax charge: £4.0m).

Chief Financial Officer's Report (continued)

Taxation (continued)

Non-underlying cash tax payments of £3.6m were made during the year ended 31 December 2022 in resolution of the HMRC tax enquiry, which had been previously provided. In the year ended 31 December 2021 repayments of £0.4m were received in respect of Spain 2019 tax.

Cash flow
As at 31 December 2022, we had cash of £154.2m, an increase of £11.4m compared to £142.8m as at 31 December 2021.

For the year ended 31 December 2022, net cash generated from operating activities of £479.6m was partially offset by net cash used in financing activities of £395.2m (primarily lease rental capital and interest payments of £247.3m, and bank and bond interest payments of £42.7m) and net cash used in investing activities of £73.0m, which relates mainly to the purchase of intangible and tangible fixed assets.

Net cash generated from operating activities increased by £202.6m, from £277.0m (after tax) for the year ended 31 December 2021 to £479.6m for the year ended 31 December 2022. This was primarily due to a £118.6m improvement in operating profit, working capital inflow being £44.8m better year on year, an increase of £43.2m in the adjustment made to operating profit for non cash items such as depreciation, amortisation and loss on disposal of fixed assets and including the £5.7m share based payment charge, less the cash tax payment of £3.6m in resolution of the HMRC tax enquiry.

Working capital inflow of £47.3m for the year ended 31 December 2022 improved £45.3m year on year (2021: £2.0m). This improvement was largely driven by the increase in the VAT creditor and prepaid rooms, plus the £13.4m accrual for the CVA Excess Cumulative EBITDA rent payment due to be paid in 2023.

Non-Underlying Items (before taxation)
Total non-underlying charges (before taxation) of £26.1m (2021: credit £30.2m), are related to items that are considered to be significant in nature and quantum, and not in the normal course of business. Details described above and further information in Note 8.

Alternative Performance Measures and Before IFRS 16 Results

The table below reconciles the non-IFRS underlying Alternative Performance Measures, including EBITDA (adjusted), and the position in line with previous accounting principles ("Before IFRS 16") to the statutory loss:

	2022			2021			Variance 2022 vs 2021 before IFRS 16[1]	
	Before IFRS 16[1] £m	IFRS 16 impact £m	Total £m	Before IFRS 16[1] £m	IFRS 16 impact £m	Total £m	£m	Var %
Revenue by geographical region								
Revenue	**909.9**	-	**909.9**	**559.8**	-	**559.8**	**350.1**	**62.5%**
Revenue UK	896.0	-	896.0	553.6	-	553.6	342.4	61.8%
Revenue International	14.8	-	14.8	6.2	-	6.2	8.6	138.7%
Key income statement items								
Revenue	**909.9**	-	**909.9**	**559.8**	-	**559.8**	**350.1**	**62.5%**
Operating expenses	(462.3)	-	(462.3)	(300.2)	-	(300.2)	(162.1)	(54.0)%
Of which cost of goods sold	*(48.2)*	-	*(48.2)*	*(26.9)*	-	*(26.9)*	*(21.3)*	*(79.2)%*
Of which employee costs	*(206.1)*	-	*(206.1)*	*(150.5)*	-	*(150.5)*	*(55.6)*	*(36.9)%*
Of which other operating expenses	*(208.0)*	-	*(208.0)*	*(122.8)*	-	*(122.8)*	*(85.2)*	*(69.4)%*
Net external rent (payable) / receivable	(235.3)	238.7	3.4	(179.0)	183.2	4.2	(56.3)	(31.5)%
Other income	0.6	-	0.6	0.5	0.1	0.6	-	-
EBITDA (adjusted)[2]	**212.9** [2]	**238.7**	**451.6** [3]	**81.1** [2]	**183.3**	**264.4** [3]	**131.8**	**162.5%**
Rent phasing adjustment[4]	3.8	(3.8)	-	(44.0)	44.0	-	47.8	108.6%
Loss on disposal of fixed assets	(7.2)	-	(7.2)	-	-	-	(7.2)	-
Depreciation	(40.7)	(113.4)	(154.1)	(41.1)	(103.4)	(144.5)	0.4	1.0%
Amortisation	(14.2)	10.3	(3.9)	(16.1)	11.0	(5.1)	1.9	11.8%
Operating profit / (loss) (before non-underlying items)	**154.6**	**131.8**	**286.4**	**(20.1)**	**134.9**	**114.8**	**174.7**	**869.2%**
Finance costs before investor loan interest	(50.2)	(192.2)	(242.4)	(44.2)	(183.0)	(227.2)	(6.0)	(13.6)%
Investor loan interest	(20.3)	-	(20.3)	(20.2)	-	(20.2)	(0.1)	(0.5)%
Finance income	1.9	-	1.9	0.2	-	0.2	1.7	850.0%
Profit/(loss) for the year (before non-underlying items)	**86.0**	**(60.4)**	**25.6**	**(84.3)**	**(48.1)**	**(132.4)**	**170.3**	**202.0%**
Non-underlying items			(26.1)			30.2		
Profit/(loss) before tax			**(0.5)**			**(102.2)**		

(1) Before IFRS 16 - The additional columns added reflect performance under accounting principles prior to the adoption of IFRS 16, referred to elsewhere in this report as Alternative Performance Measures, which include EBITDA (adjusted) and clarify the adjustments required under IFRS 16.

(2) EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation and non-underlying items, on a pre-IFRS 16 basis, and before rent phasing adjustment. In this measure, the rent reductions agreed during the CVA (for 2020 and 2021) are recognised in the year in which the benefit occurred (in order to closely reflect cash payments), and the benefit of rent free periods agreed in the ordinary course of rent negotiation, are spread on a straight line basis until the next rent review (normally five years from initial agreement). Non-underlying items have been removed as they are related to items that are considered to be significant in nature and quantum, and not in the normal course of business. The calculation for this measure is consistent with prior years. See APM glossary pages 119-127 for further details and statutory reconciliations.

(3) Formerly "EBITDA (statutory)" = Earnings before interest, tax, depreciation, amortisation and non-underlying items and after variable lease payments and rental income. This measure is reflective of the position in line with historical accounting principles (before IFRS 16). As shown on the Income Statement on page 71.

(4) Rent phasing adjustment = the adjustment of the rent element of the EBITDA (adjusted) calculation, so that the benefit of rent free periods and the CVA rent reductions are spread over the full life of the lease. This is most closely aligned with the accounting treatment for rent pre-IFRS 16. The calculation for this measure is consistent with prior years. See APM glossary pages 119-127 for further details and statutory reconciliations.

Alternative Performance Measures and Before IFRS 16 Results (continued)

The commentary below on pages 15 to 22 is on an Alternative Performance Measure basis. The Group uses these measures to monitor the performance of the business, establish operational and strategic targets and for decision making. They are also useful for stakeholders to understand our operational results, and for our lenders as our lending documents are based on frozen GAAP measures. The Glossary on pages 119 to 127 provides full definitions and reconciliations to the IFRS measures.

Revenue before non-underlying items
Revenue (before non-underlying items) increased by £350.1m, or 62.5%, from £559.8m for the year ended 31 December 2021 to £909.9m for the year ended 31 December 2022.

The first weeks of 2022 were impacted by Covid-19 and the work from home guidance, which affected mid-week demand, in particular in Central London. Following the lifting of the work from home guidance performance recovered quickly and was ahead of 2019 levels by early February. This trend has continued driven predominantly by rate but also higher occupancy levels benefiting from strong levels of domestic leisure demand and a rapid recovery in 'blue collar' business demand together with a more gradual recovery in 'white collar' corporate demand. We also benefited from the reduced VAT rate in quarter 1.

In the comparative 2021 year the effects of the Covid-19 pandemic impacted the business heavily. At the start of 2021 restrictions throughout the UK meant guests were only allowed to stay in hotels for work, education or other legally permitted reasons, but not for leisure purposes. We started the year with 354 UK hotels open and trading, with closures in the first couple of weeks reducing this to 293 by 15 January, ending the calendar month at 31 January with 295 open hotels. Batches were opened through February, March, April and May with all available hotels open by 17 May. Following the lifting of restrictions on 17 May 2021, demand and revenue gradually improved to the end of September.

Like-for-like UK RevPAR(2) for the year improved by 59.2% compared to 2021 (23.9% against 2019, being the last comparable year).

Operating expenses before non-underlying items (excluding depreciation, amortisation and non-underlying items)
Operating expenses increased by £162.1m, or 54.0%, from £300.2m for the year ended 31 December 2021 to £462.3m for the year ended 31 December 2022, predominantly due to trading levels, with all hotels open in 2022. Costs were also impacted by inflationary pressures but remained well controlled.

Increases in cost of sales of £21.3m were mainly due to higher laundry costs, driven by occupancy levels and supplier price increases, and food and beverage costs reflecting the 2021 periods of hotel closure and extended bar café closures and inflation.

Employee costs increased by £55.6m from £150.5m for the year ended 31 December 2021 to £206.1m for the year ended 31 December 2022 reflecting the trading levels, with all hotels open in 2022, the end of the government's job retention scheme, the impact of the National Living Wage increase in the like-for-like estate and the additional staff in our new and maturing hotels. Claims of c. £21m were made in respect of the government's job retention scheme for the year ended 31 December 2021 (2022: nil). In addition, within the year, employees (other than senior management) across the organisation received cost of living vouchers, at a gross cost of £4m.

Other operating expenses increased by £85.2m from £122.8m for the year ended 31 December 2021 to £208.0m for the year ended 31 December 2022. This was driven by the end of the hospitality business rates holiday in Scotland and Wales c. £1m benefit in 2022 (2021: c. £21m), government support grants of c. £9.7m in 2021 compared to c. £1.8m received in H1 2022, higher marketing spend, increased costs associated with all hotels being open in 2022 such as utilities and maintenance, higher transaction fees due to the level of bookings and increased costs from new and maturing hotels.

Net external rent payable(3)
External rent payable (before rent phasing adjustment and before IFRS 16(1)) reflects the rental amounts due for the year, adjusted to spread the benefit of rent free periods over the period to the next rent review date. The reduction in rent agreed during the 2020 CVA in respect of the 2020 and 2021 financial years was recognised in line with the actual cash rent paid in respect of each period.

Net external rent payable (before rent phasing adjustment and before IFRS 16(1)) increased by £56.3m, or 31.5%, from £179.0m for the year ended 31 December 2021 to £235.3m for the year ended 31 December 2022, primarily due to the benefit of rent reductions in 2021 (2021 full year benefit c. £55m). The impact of new hotels, together with upwards only rent reviews predominantly linked to RPI in the like-for-like estate, also contributed to the increase in rent payable.

1) Before IFRS 16 = The performance under accounting principles prior to the adoption of IFRS 16.
2) Revenue per available room (computed as product of the average room rate for a period multiplied by the occupancy for that period), average room rate and occupancy on a UK like-for-like[3] basis (for hotels opened before 1 January 2019) for the management accounting period 29 September 2022 to 28 December 2022 and 3 October 2019 to 1 January 2020 for the quarter. Revenue per available room, average room rate and occupancy on a UK like-for-like basis for the management accounting period 30 December 2021 to 28 December 2022 and 3 January 2019 to 1 January 2020 for the year.
3) Refer to definition under the Alternative Performance Measures glossary, from page 119.

Alternative Performance Measures and Before IFRS 16 Results (continued)

Net external rent payable (continued)
In many of our leases we receive a rent free period at the beginning of the lease term. Within EBITDA (adjusted) the portion of the rent free credit attributable to each period is recognised as if such credit were applied on a straight line basis until the next rent review, normally five years. The credit attributable to the reductions resulting from the 2020 CVA is recognised in line with the actual rent paid in respect of each period.

According to the straight lining of leases principles under previous IFRS, the benefit of a rent free period is recognised on a straight line basis over the full life of the lease. Similarly, any credit relating to the rent reductions resulting from the 2020 CVA is also recognised on a straight line basis over the remaining life of each lease. The rent phasing adjustment reflects the timing difference between the rent charge for the period in our internal management reporting measure EBITDA (adjusted) and the rent charge for the year under previous IFRS.

The rent payable for operating leases reported under previous IFRS, has been replaced by depreciation of the right-of-use asset and notional financing costs on the lease liability.

Depreciation / amortisation before IFRS 16[(1)]
Depreciation (before IFRS 16[(1)]) remained broadly level at £40.7m for the year ended 31 December 2022 compared to £41.1m for the year ended 31 December 2021. Depreciation is driven mainly by ongoing investment in the refurbishment of our estate, together with ongoing maintenance, health and safety measures, energy efficiency projects, IT hardware and new hotel openings. Increases due to the restart of our capital refit programme were offset by the impairment of a small number of assets at the end of 2021.

Amortisation (before IFRS 16[(1)]) is driven mainly by historical lease premiums, investment in IT systems (where this results in an intangible asset) and new openings, and decreased by £1.9m, or 11.8%, from £16.1m for the year ended 31 December 2021 to £14.2m for the year ended 31 December 2022. The reduction is primarily due to the impairment of a small number of assets at the end of 2021 and fully written down computer software.

The loss on disposal of fixed assets is £7.2m which relates to the write off of assets as a result of the refit programme.

Finance costs before IFRS 16[(1)] and investor loan interest
Finance costs (before IFRS 16[(1)]) before investor loan interest increased by £6.0m, or 13.6%, from £44.2m for the year ended 31 December 2021 to £50.2m for the year ended 31 December 2022. The increase was predominantly due to higher floating rate bond interest payments, driven by the increase in SONIA rates in 2022, partially offset by lower interest on the revolving credit facility due to the full repayment of drawings on 30 May 2022 and on the term loan which was repaid in October 2022.

Investor loan interest increased by £0.1m, or 0.5%, from £20.2m for the year ended 31 December 2021 to £20.3m for the year ended 31 December 2022.

Finance income
Finance income comprising interest on loans to related parties and bank interest increased by £1.7m, from £0.2m for the year ended 31 December 2021 to £1.9m for the year end 31 December 2022. The increase was due to an increase in cash balances and the base rate during the year.

Profit/Loss before tax
Underlying profit before tax was £25.6m for the year ended 31 December 2022 compared with a loss of £132.4m for the year ended 31 December 2021, benefiting mainly from the trading recovery.

(1) Before IFRS 16 = The performance under accounting principles prior to the adoption of IFRS 16.

Alternative Performance Measures and Before IFRS 16 Results (continued)

Taxation
Income tax is recognised based on management's best estimate of the income tax rate expected for the financial year, which includes the impact of legislation in relation to hybrid mismatches, corporate interest restriction and amendments to the use of carried forward losses.

There was an overall tax charge of £0.2m for the year ended 31 December 2022 relating to a current tax charge of £1.0m and a deferred tax credit of £0.7m, plus a further £0.1m non-underlying credit for the release of a provision for the HMRC tax enquiry that was settled in the period (which was provided as a non-underlying charge in the prior year), and a tax charge of £3.8m for 31 December 2021 (current tax charge: £nil; deferred tax credit: £0.2m; non-underlying tax charge: £4.0m).

Non-underlying cash tax payments of £3.6m were made during the year ended 31 December 2022 in resolution of the HMRC tax enquiry, which had been previously provided for. In the year ended 31 December 2021 repayments of £0.4m were received in respect of Spain 2019 tax.

Cash flow (before IFRS 16)
As at 31 December 2022, we had cash of £154.2m, an increase of £11.4m compared to £142.8m as at 31 December 2021.

For the year ended 31 December 2022, on a 'before IFRS 16[(1)]' basis, underlying net cash generated from operating activities of £242.6m (which is after rent paid of £245.5m) was partially offset by non-underlying cash spend of £8.5m (main items including the settlement of the tax enquiry, compensation for loss of office and payments to Compromised Landlords as a result of the CVA), net cash used in investing activities of £73.5m, which predominantly relates to the purchase of intangible and tangible fixed assets, and net cash used in financing activities of £149.2m, mainly relating to £42.7m interest payments, £40.0m repayment of the revolving credit facility, £61.9m repayment of the term loan and £3.3m finance costs on the settlement of the term loan.

	2022 £m	2021 £m
EBITDA (adjusted)[(1)]	212.9	81.1
Working capital[(2)]	29.7	1.2
Net cash flows from operating activities	242.6	82.3
Capital expenditure	(74.8)	(34.4)
Free Cash Flow	167.8	47.9

(1) EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation, and before rent phasing adjustment and non-underlying items. This measure is reflective of the position in line with historical accounting principles (before IFRS 16) except for being prior to the rent phasing adjustment. Non-underlying items have been removed as they relate to items that are considered to be significant in nature and quantum, and not in the normal course of business. The calculation for this measure is consistent with prior years. See APM glossary pages 119-127 for more details.

(2) Working capital movement is stated before non-underlying movements, before rent phasing adjustment and before the impact of IFRS 16.

Free Cash Flow ('before IFRS 16') was an inflow of £167.8m for the year ended 31 December 2022, £119.9m better than the inflow of £47.9m for the year ended 31 December 2021. This was mainly due to the significant year on year increase of £131.8m in EBITDA (adjusted) and £28.5m year on year improvement in the underlying working capital benefit, largely due to an increase in the VAT creditor and pre-paid rooms benefits and c. £11m benefit due to pre-paid rent movements, partially offset by £40.4m increased capital investment, following the restart of our capital refit programme.

Our cash cycle reflects the monthly payment of creditors and staff and fluctuates throughout the quarter, with rent typically due quarterly in advance around the end of each quarter, although the CVA resulted in monthly rents for the majority of hotels until the end of 2021. As a result, our quarterly cash position is generally at a low just after the end of March, June, September and December following payment of the rent bill, monthly creditor payments and payroll.

Working capital requirements
Inventory primarily includes food and beverage products sold through our bar cafes. Trade and other receivables (before IFRS 16) primarily consist of rent prepayments with the majority paid quarterly in advance. We have low trade receivables as most of our customers pay at the time of booking, however, business customers taking advantage of our business account card benefit from interest free credit.

Current liabilities (before IFRS 16) include prepaid room purchases from customers who have yet to stay, as well as normal trade creditors, including rent, accrued wages and salaries, other current debts and accrued interest and taxes.

Alternative Performance Measures and Before IFRS 16 Results (continued)

Working capital requirements (continued)

	2022 Before IFRS 16(1) £m	**2021 Before IFRS 16(1) £m**	**Variance 2022 vs 2021 Before IFRS 16(1) £m**
(Increase) / decrease in inventory	(0.4)	(0.5)	0.1
(Increase) / decrease in receivables	(6.9)	(19.4)	12.5
Increase in payables(2)	33.2	65.1	(31.9)
Total working capital movement (before non-underlying items)	25.9	45.2	(19.3)
Provisions and non-underlying items	(3.8)	(17.0)	13.2
Total working capital movement	22.1	28.2	(6.1)
Less provisions and non-underlying items	3.8	17.0	(13.2)
Less rent phasing adjustment(2)	3.8	(44.0)	47.8
Working capital movement per cash flow	29.7	1.2	28.5

(1) Before IFRS 16 = The performance under accounting principles prior to the adoption of IFRS 16.
(2) Payables includes the rent phasing adjustment of £(3.8)m (2021: £44.0m). Refer to definition of rent phasing adjustment under the Alternative Performance Measures glossary, from page 119.

Alternative Performance Measures and Before IFRS 16 Results (continued)

Working capital requirements (continued)

Working capital inflow (before IFRS 16 and before provisions and non-underlying items) of £25.9m for the year ended 31 December 2022 compared to an inflow of £45.2m for the year ended 31 December 2021, predominantly due to the effect on payables of spreading the CVA benefit from the rent reductions agreed under the CVA over the life of lease (under previous IFRS), partially offset by an increase in the VAT creditor and prepaid rooms benefits and the benefit from pre-paid rent movements.

Working capital outflow for provisions and non-underlying items (before IFRS 16) of £3.8m for the year ended 31 December 2022 compared to an outflow of £17.0m for the year ended 31 December 2021. 2022 predominantly consisted of outflows of £1.0m spend relating to payments to the compromised creditors under the terms of the CVA, the release to revenue of £0.9m of expired vouchers issued in relation to cancelled stays during periods of lockdown and the reassessment of the onerous lease provision of £15.1m resulting from improved trading, offset by inflows of £13.4m for the Excess Cumulative EBITDA rent payment accrual relating to the 2020 CVA, and £0.3m of professional fees accrued in relation to the management incentive plan. 2021 spend mainly reflects payment of legal and advisors' fees and management incentives relating to the restructuring of the Group's debt, initial landlord consensual proposal, the subsequent CVA and other one off corporate activities, together with costs associated with the disposal of assets where a break clause was instigated as a direct result of the CVA and £0.4m cash spend on Spanish onerous lease provisions.

Net cash used in investing activities
Net cash used in investing activities (before IFRS 16[1]) increased by £38.6m, or 112.5%, from £34.4m for the year ended 31 December 2021 to £73.0m for the year ended 31 December 2022, due to the £40.4m increase in capital expenditure in 2022, partially offset by £1.8m higher interest received, due to higher cash balances, the increase in base rates and the partial repayment of a related party loan and interest.

Capital expenditure
Capital expenditure increased by £40.4m, or 117%, from £34.4m for the year ended 31 December 2021 to £74.8m for the year ended 31 December 2022. Spend has included on-going maintenance, health & safety works and IT, as well as spend on hotel refits, energy efficiency projects and development pipeline spending. The majority of the increase is due to the restart of our capital refit programme.

Net cash used in financing activities before IFRS 16[1]
Net cash used in financing activities (before IFRS 16[1]) of £149.7m was interest payments and finance fees of £42.7m, £40.0m repayment of the revolving credit facility, £61.9m repayment of term loan, finance lease interest payments of £1.8m and finance costs of £3.3m on the settlement of the term loan.

On a year on year basis, net cash used in financing activities (before IFRS 16) was £111.3m higher. The movement was mainly due to the repayment of the £40.0m revolving credit facility completed in May 2022, the £61.9m repayment of the deferred term loan, £7.1m higher interest paid primarily due to the timing of the term loan payments and higher floating rate bond interest payments, driven by the increase in SONIA rates in 2022, £0.6m higher finance lease interest payments due to rent reviews and the end of CVA rent reductions and £3.3m of finance costs on the settlement of the term loan partially offset by £1.4m 2020 refinancing costs paid in 2021.

Corporation tax
Non-underlying cash tax payments of £3.6m were made during the year ended 31 December 2022 in resolution of an HMRC tax enquiry, which had been previously provided for. Corporation tax repayments of £0.4m were received in the year ended 31 December 2021 in respect of Spain 2019 tax.

1) Before IFRS 16 = The performance under accounting principles prior to the adoption of IFRS 16.

Alternative Performance Measures and Before IFRS 16 Results (continued)

Funding, Covenant Compliance & Going Concern

Net Debt

	2022 **£m**	**2021** **£m**
External debt redeemable:		
- Senior secured fixed rate bond	(65.0)	(65.0)
- Senior secured floating rate bond	(440.0)	(440.0)
- Issue costs	5.5	7.9
Senior secured bond related debt	(499.5)	(497.1)
- Super senior term loan	-	(63.1)
- Issue costs	-	2.7
Super senior term loan related debt	-	(60.4)
Revolving credit facility	-	(40.0)
Secured debt	(499.5)	(597.5)
Cash	154.2	142.8
External net debt	**(345.3)**	**(454.7)**
Investor loan notes (unsecured)	(206.9)	(186.6)
Net funding (excluding lease liabilities)	(552.2)	(641.3)
Lease liabilities	(2,534.5)	(2,402.7)
	(3,086.7)	(3,044.0)

The IFRS 16 impact represents the fact that operating lease commitments and finance lease creditors have been replaced by the lease liabilities from 1 January 2019. The lease liabilities represent the present value of future lease payments in respect of the right of use assets.

Finance lease liabilities (before IFRS 16) were as follows: 31 December 2022: £14.5m, 31 December 2021: £14.7m.

(1) Before IFRS 16 = The performance under accounting principles prior to the adoption of IFRS 16.

Alternative Performance Measures and Before IFRS 16 Results (continued)

Senior secured notes

Senior secured floating rate sterling denominated notes of £440.0m were issued on 5 July 2019 with a termination date of 15 July 2025. Interest was floating at three month LIBOR plus a margin of 5.375%.

As a result of the Bank of England's discontinuation of LIBOR, certain amendments have been agreed with all relevant counterparties to effectuate a reference rate transition from LIBOR to Sterling Overnight Index Average (SONIA) including margin adjustments in respect of the period from the commencement date of the first interest period commencing on or after 31 December 2021 to the maturity date.

Interest is payable quarterly each January, April, July and October. The notes may be redeemed at any time on or after 15 July 2020, at par.

In January 2023 we re-purchased £15.8m (nominal) of the senior secured notes under a managed buyback program at a small discount to par.

On 18 December 2020, new senior secured fixed rate sterling denominated notes of £65.0m were issued with a termination date of 15 January 2025. Interest was fixed at 9.0% and payable on a semi-annual basis.

Further loan issue costs of approximately £3.8m will be amortised over the life of the facility in line with generally accepted accounting practice.

Revolving credit facility and super senior term loan

At the balance sheet date, a sterling denominated revolving credit facility of £40.0m was available to the Group until July 2024.

In March 2022 the Group repaid £8m to reduce drawings under the Group's existing £40.0m revolving credit facility ("RCF") to £32.0m and revised covenant terms have been agreed with its banking partners.

Under the revised covenant terms, the Group's existing springing covenant requirements, which apply if drawings under the RCF are £32.0m or more, are not tested and have been replaced with maintenance covenants from 31 March 2022 to 30 June 2023, comprising stepped quarterly net leverage tests and minimum liquidity covenants, after which the business returns back to the previous quarterly net leverage covenant tests, the first of which would be on 30 September 2023.

The remaining £32.0m drawings under the RCF were repaid in May 2022.

On 16 November 2020, the Group entered into an agreement in the form of a super senior term loan of £60.0m, available to the Group until July 2024, which was drawn in full on 1 December 2020.

An OID fee of £1.9m was incurred in respect to the drawdown of £60.0m, which was paid on 10 January 2022.

On 26 October 2022 the super senior term loan, including accrued interest and fees, was repaid in full and the balance of the amortised loan issue costs was written off.

Going concern

In assessing the appropriateness of the going concern assumption, the Board has considered the possible cash requirements of the Group and Company to the end of 2024, taking into account the impact of the pandemic, current economic and political pressures the range of trading outcomes and mitigating actions which could be taken.

Availability of funding

There are currently no drawings under the Group's existing £40m revolving credit facility ("RCF").

Under the revised covenant terms, the Group's existing springing covenant requirements, which apply if drawings under the RCF are £32m or more, are not tested and have been replaced with maintenance covenants for 31 March 2023 to 30 June 2023, comprising stepped quarterly net leverage tests and minimum liquidity covenants, after which the business returns back to the previous quarterly springing net leverage covenant tests, the first of which would be on 30 September 2023. We are in active discussions with the RCF and Letter of Credit lenders regarding a six-month extension to January 2025 and our scenarios assume the extension is agreed following feedback from the lenders, noting neither scenario requires drawing on the RCF.

Alternative Performance Measures and Before IFRS 16 Results (continued)

Base case scenario

Our base case forecast, to the end of 2024, reflects the normalisation of the Q1 2022 impact from the Omicron work

from home guidance, continued recovery in Central London demand expected to be supported by the weak pound and inbound tourism, and moderate growth elsewhere. Our base case forecast RevPAR is broadly in line with the latest available external forecasts, with LfL RevPAR across 2023 marginally ahead of 2022 levels, with total revenue benefiting from new openings since 2022.

Our most significant cost is rent, with each lease reviewed on a five-yearly cycle in line with the relevant inflationary uplift, typically RPI or CPI. We have subsequently completed a lease regear with LXI on 27 January 2023, inserting caps and collars of 4% pa and 1% pa into 97 of the 122 leases that were previously uncapped and uncollared RPI rent reviews, giving increased certainty over rent costs. The remaining leases, subject to obtaining superior landlord consent, are expected to complete in quarter two. Other costs include wages, impacted by the National Living Wage, and are assumed to increase in line with the forecasts published by the Office for Budget Responsibility, with supply costs increased in line with inflation or specific supply chain increases. Our energy costs are fixed at pre-crisis levels until March 2023 and since preparing our base case we have hedged a significant proportion of 2023 forecast energy volumes at favourable prices compared to the base case scenario.

We consider the base case to be reflective of the range of outcomes we face and there are also a number of potential upsides and mitigations that have not been included, such as the potential for additional demand as a result of customers trading down to the budget segment, staycation demand, events, changes in working patterns and inbound demand.

Under this base case scenario, the Group is expected to continue to have significant headroom relative to the total funding available to it and to comply with banking covenants where applicable.

Severe but plausible downside scenarios

Our performance could be influenced by the macro-economic uncertainty, including the cost of living crisis, and its potential impact on demand and consumer choices. Whilst there are a number of positive demand drivers the Board has therefore considered a severe but plausible downside scenario, considering a significant decline in RevPAR and higher inflation than the base case.

Our base case assumes small RevPAR growth vs 2022. The severe scenario assumes 2023 declines vs 2022 by 3%, approximately half the decline seen by the Midscale & Economy segment during the Global Financial Crisis, when the UK economy contracted by significantly more than is forecast for 2023. The 3% reduction is assumed to materialise through a drop in rate, with minimal upside due to cost savings assumed. As such, the impact on EBITDA is a c. 30% decline from the base case.

Our base forecast already includes higher inflationary increases across the supply chain and contractually agreed costs for a number of significant supplies. Under our severe but plausible scenario, we consider the impact in the event that RPI and CPI were 2% points higher than our base forecast 2023. The most significant cost impacted by higher inflation, in addition to the base forecast, is rent. Each lease is reviewed on a five-yearly cycle and this review cycle for the estate is broadly spread evenly over a five-year period, the impact against the base case to the end of 2024 as a result of higher inflation is therefore limited.

In this severe but plausible downside scenario and before potential mitigation which could reasonably be expected to be available, the group retains significant liquidity and complies with banking covenants.

Conclusion

Based on the above, taking account of current trading performance, reasonably possible changes in trading performance, the directors believe that it remains appropriate to adopt the going concern basis in preparing the consolidated financial statements.

Aidan Connolly
Chief Financial Officer

13 April 2023

Sustainability

Travelodge seeks to be a responsible business in all we do. We have always placed a strong emphasis on safety and security, the environment, and our social responsibilities. However, we know that there is more we need to do. We also know that, until now, we haven't routinely shared what we are doing with our stakeholders.

Following extensive consultation with a wide range of stakeholders, we developed a comprehensive sustainability plan 'Better Future' designed to mark a step-change in our sustainability agenda. The plan will help us to both improve focus and performance, and to share that progress transparently with our stakeholders.

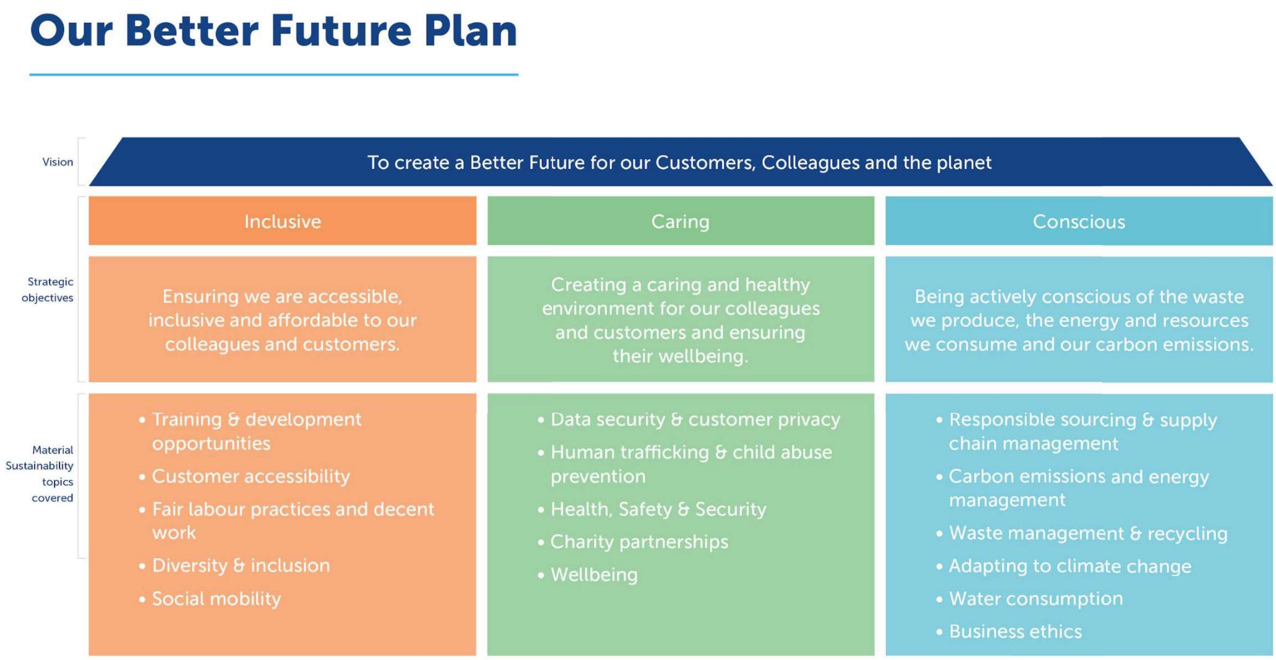
We firmly believe that sustainability has a critically important role to play in shaping the future of our business. For that reason, our sustainability plan 'Better Future' is closely aligned with our Purpose, to provide affordable travel for everyone and integrated with our wider business strategy.

Our sustainability plan 'Better Future'
Valuing our colleagues, customers and planet is the vision that underpins the three pillars of our sustainability plan.

1. **Inclusive:** Ensuring Travelodge is accessible, inclusive, and affordable to its colleagues and customers.

2. **Caring:** Creating a safe and healthy environment for our colleagues and customers, and ensuring their wellbeing.

3. **Conscious:** Being conscious of the waste we produce, the energy and resources we consume, and our carbon emissions.



Listening to our stakeholders
Accountability and transparency with stakeholders is key to the long term success of the Group. We consider our key stakeholders to be: customers, colleagues, shareholders and investors, including shareholders, lenders, landlords, other creditors including key operational suppliers, local authorities and communities. We have continued to engage with our stakeholders during 2022, which is summarised below.

Listening to our Customers
This year we served approximately 21 million customers and listening and responding to their feedback is pivotal to our ongoing success and to delivering the wider societal benefits in line with our Better Future plan.

To measure the success of our business, we thoroughly reviewed direct customer feedback and satisfaction scores from their stay with us. In addition, engagement with our partners, such as Tripadvisor, helps us to identify opportunities to improve and accelerate our quality of service and responsiveness to our customer needs. A good example of feedback we received and acted on in 2022 is in relation to our customers' accessibility, this led to several improvements, which are covered later in this report under our Inclusive pillar.

Sustainability (continued)

Customers (continued)

We also periodically develop customer research groups on specific topics, including new propositions and ideas to further strengthen and iterate development. Depending upon the scale and information required this is either done internally analysing data and bespoke surveys we send to our customers, or we work with a number of agencies to gather robust and relevant customer insight, both qualitative and quantitative, to inform our product and proposition development.

During 2022 some examples of this were:

- a customer study conducted to understand our customer needs and expectations of a budget hotel stay as the risk of Covid19 receded. Qualitative consumer research undertaken to understand the key drivers of cleaning and maintenance customer scores,
- a significant study undertaken in 2021 leading to revision to our refurbishment strategy in 2022; and
- a study undertaken to understand our customers' needs for food and beverage during their stay, which led to a new mystery customer programme starting in early 2023, a new menu refresh and concept changes to be trialled in our existing Bar Cafes.

Listening to our Colleagues

Our Shadow Board meets twice during the year, bringing together twelve members from different roles and locations across the business with the Chief Executive Officer and Chief People Officer to discuss key strategic considerations. The Shadow Board was set up as a forum to gather direct input from all levels and roles in the organisation on key strategic and operational topics under discussion. The roles of the members range across housekeeping, reception and night team members, hotel and district management, maintenance, and representation from our head office.

We communicate regularly with our teams through head office 'Huddles', and regional and district operational meetings. This includes updates on the performance of the business, celebration of colleague success and length of service milestones, and highlights of key events such as new openings and our wellbeing programme. Our Director of Operations personally leads feedback sessions with members of her District Manager team to ensure we are close to the feedback on any change initiatives impacting our business, such as the roll out of our new personal safety devices during the year, so we can learn what went well and where improvements can be made in the future.

We operate a number of Equality and Diversity Groups covering topics such as gender, ethnicity, LGBTQ+ and disability. Each group has an Operating Board sponsor as well as members from the senior leadership team. The groups were formed in 2022, recognising that a successful ED&I agenda must be driven by the most senior people in the company.

We carry out an annual engagement survey "Your Voice" to ask our colleagues a core set of questions which cover key areas we will want to measure consistently and use "Pulse" surveys to discuss other specific topics when needed. We consider the results of our employee survey a good barometer of our success in engaging with our teams on the things that matter to them most and allow us insight to make positive change where possible. Our latest "Your Voice" survey was completed in September, participation levels and scores in some key areas are KPIs within our Better Future plan and are covered later in this report.

We use our internal social media platform to highlight key messages and news across the business, as well as sharing content created by any of our colleagues through posts, pictures, videos, comments and questions. The site can receive hundreds of updates each day and is a vibrant representation of our teams and what they are thinking, feeling and doing. Questions and queries posed on the site are routinely responded to by the relevant head office or operational management team.

Our colleague app is also the platform we use to share equality, diversity and inclusion campaigns throughout the year, providing a great forum for us to celebrate our diversity and encourage conversations about a wide range of topics including race and gender equality, LGBTQ+ history, mental health and menopause awareness, and supporting our colleagues with disabilities such as deafness and neurodiversity.

We operate an independent whistleblowing service if any colleague wishes to raise concerns around matters that are in the public interest such as fraud.

Sustainability (continued)

Listening to our Investors

Our investors include our shareholders, lenders, landlords and other creditors including key operational suppliers, local authorities and communities.

Shareholders
Our Chairman and Chief Executive Officer meet periodically with our owners to update on our progress, seek approvals where required and to listen to their viewpoints and raise any issues that they may have.

Lenders
We hold quarterly calls with our bondholders where we present our results and provide a forum for questions to be raised. We also make ourselves available at least annually for a group presentation and question and answer session and smaller meetings as requested.

Landlords
As well as our regular contact, approximately every 6 months we host a call for our landlords, developers, and key contacts from the property industry. This provides an update on the business as a whole and our progress on key property and development initiatives.

Suppliers
Cost and quality continue to compete as priorities within our procurement strategic agenda and integrating sustainability and responsible sourcing throughout our value chain, remains a key objective for 2023. Our suppliers are integral to how we fulfil our customers' needs and we therefore work closely with our strategic suppliers to manage risk whilst driving continuous improvement initiatives throughout our supply chain. During 2022, a priority focus has been working collaboratively with our suppliers to manage inflation and supply continuity risks, in what was a very challenging environment. Looking ahead, in addition to building on the work from 2022, we have also begun formally engaging with our suppliers as part of our sustainability agenda, which is covered further in this report under the Conscious pillar.

Local Authorities and communities
As part of operating our estate and in the process of developing new hotels, we seek to engage with local councils, police forces and fire services to ensure our policies and procedures in relation to health, safety and security are appropriate, agreed and fit for the current social landscape. We also have Primary Authority partnerships with a fire service and a local authority to provide guidance and support on matters of fire and general health and safety respectively. We also proactively work with these stakeholders where we expect new business projects to change the risk profile of our business, so any concerns are considered and agreed in advance by all parties.

We work with local communities and real estate partners to explore opportunities to help in regeneration and job creation through our new hotel development programme. Joint initiatives with Local authorities in particular can bring benefits to the community, and we are in contact with over 200 authorities where we have target location requirements.

Our charity group organises and promotes fundraising on behalf of a nominated charity, which for the reporting period was the British Heart Foundation (BHF). In November 2022, at the BHF Heart Heroes Awards, Travelodge was recognised, as one of three companies, for their extraordinary work in the development and promotion of the BHF's new CPR training tool, RevivR. RevivR is accessible on your smartphone and teaches you how to administer CPR using only your phone and a pillow, removing the need for a traditional CPR dummy. We also have continued our relationship with Pennies, the pioneering digital charity donation box which allows customers to choose to make a small donation to the British Heart Foundation as part of the on-line booking process.

Understanding our priorities

During 2022, we reviewed the prioritisation of our sustainability topics, to ensure we are still focussing on those which have the greatest potential impact on our business and those of highest importance to our stakeholders. Through our governance processes we have not identified any new material issues or changes and as a result, we consider our original priorities remain relevant for 2023, particularly given only a year has passed since we set our initial plan. Whilst we continue to focus on the most material topics, we consider all of those areas identified to be important, and at least actively monitor and report on each.

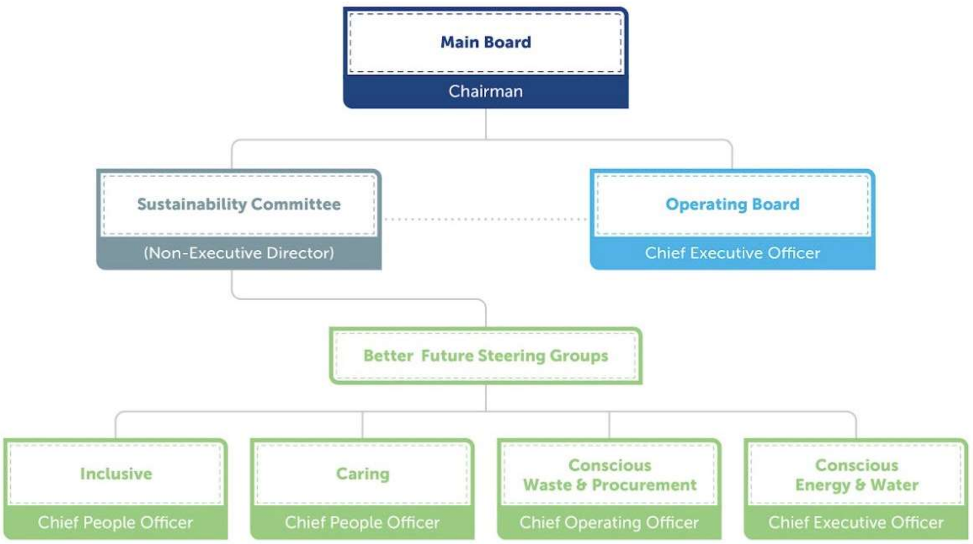
In creating our initial plan, we used an independent sustainability specialist to conduct our materiality assessment identifying 18 material issues for the business. Through surveys and discussions, these issues were ranked by level of importance by users of our website, our colleagues and a selection of key individual stakeholders including landlords, key suppliers, lenders, corporate customers, charity partners and a local council.

To review the risk posed by each issue we used our risk assessment methodology.

We will review this annually but expect to formally refresh our materiality assessment every three years, which we consider appropriate given our topics are all long term in nature and should not materially alter in the short term.

How we Deliver our Better Future plan

Governance
In our first report published in April 2022 we laid out our governance model we have put in place to effectively monitor the implementation of and results from our sustainability initiatives.



Our Main Board has overall responsibility for the delivery of our Better Future plan. During 2022 we held quarterly steering groups on each of the three sustainability pillars. Each of these groups were chaired by a member of the Operating Board.

Glossary of Terms
Operating Board: The Operating Board acts as the senior leadership group of the Company, comprising senior directors and chaired by our Chief Executive Officer.

Given the importance of our Better Future plan, during 2022 we also created a formal Sustainability Committee which is now chaired by one of our group non-executive directors. Our Chief Executive Officer is also a member of the committee and the CEO of Simply Sustainable, our partner sustainability expert, is also in attendance. The Committee met for the first time in November 2022, and is expected to meet twice a year from 2023.

The Committee meets to review the sustainability targets and KPIs that have been set, and performance against these targets, alongside on-going work and progress under each of the three pillars.

The output of the Committee is reported to the Operating Board at least twice a year and to the Travelodge Main Board after each committee.

Glossary of Terms
Travelodge Main Board: The Main Board comprises representatives of our owners, non-executive directors, our Chairman, Chief Executive Officer and Chief Financial Officer.
Non-executive director: A non-executive director is a member of our Main Board who isn't a company employee, which means they don't engage in day-to-day management and instead act as an independent advisor.

Measuring our progress
In order to stretch and challenge ourselves, the Plan includes KPIs (Key Performance Indicators) and short and medium-term targets. The value of setting KPIs and targets is that they are mechanisms for us to measure how successfully we are delivering our sustainability commitments. We measure our performance against these KPIs on a quarterly basis. We report that performance internally on a quarterly basis, and externally via both our Annual Report & Financial Statements and an annual and stand alone Sustainability report.

Communicating the Better Future Plan
We know that sustainability is a important issue and appreciate that the language of sustainability does not make it an easy subject; it can be complex and not everyone has the time, or the inclination to read detailed reports on the subject. It doesn't help that there are many terms covering sustainability. Sustainability, ESG, CSR and sometimes, CR, are all used interchangeably by companies. In essence, they all refer to doing business in an ethical and

How we Deliver our Better Future plan (continued)

Communicating the Better Future Plan (continued)
responsible way that takes into account the needs of a wide range of stakeholders, including society and the environment. This all comes together under our definition of our Better Future plan.

Glossary of Terms

- **Sustainability:** In a corporate context, sustainability refers to the effect a business has on the environment, and on society, with the goal of having a positive impact in at least one of those areas.
- **ESG** - Environment, Social & Governance
- **CSR** - Corporate Social Responsibility
- **CR** - Corporate Responsibility
- **Governance:** The system by which a company is directed or controlled.
- **KPI:** Key Performance Indicators (KPIs) refer to a set of quantifiable measurements used to gauge a company's overall long-term performance.

Our performance: Inclusive

During 2022 we made good progress in improving our gender balance in senior roles and developing our colleagues across the business. We are also proud of the work we have done with support from Disability Positive, a third-party specialising in the support of people living with long term disabilities, in relation to improving accessibility for our customers. Ethnic diversity has been more difficult to gain traction on than we expected, but we have a clear plan to address this during 2023 and 2024.

In 2023 we will continue to improve our gender and ethnic diversity at senior leadership level to ensure it is representative of our workforce and the wider society. We will also continue our work to support the UK Levelling Up agenda, specifically for social mobility, providing opportunities for our colleagues across the UK to learn more and earn more, and progress their careers, if they want to. We also plan to further develop our customer accessibility procedures together with our partner external expert, the charity Disability Positive. All of this will make Travelodge a more inclusive place for our colleagues and customers.

Our Colleagues

Diversity
We are committed to creating an inclusive workplace, with opportunities to learn more and earn more, and where everyone can be their true self and belong. Being inclusive with a diverse range of people throughout all areas of our business is important to us.

We monitor the diversity of our existing workforce in order to support a culture of equality, diversity and inclusion. We have both an Equality and Diversity Policy and a Trans Inclusion Policy in place. We use our diversity data to understand the makeup of our workforce and whether it is representative of both the wider UK society and geographical areas. This helps us to focus our attention on the areas where improvement is needed and create action plans to address these.

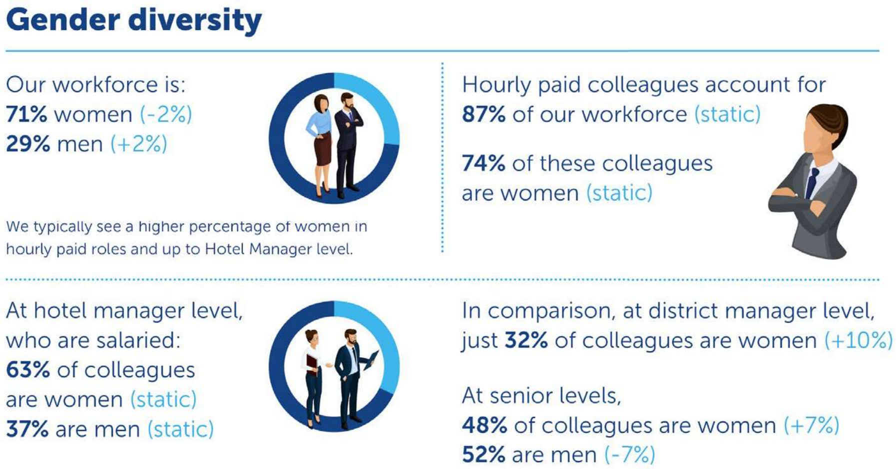
Our focus on equality and diversity has helped us to a position where around 63% of our hotel managers are women. We made good progress throughout 2022 with gender balance at senior level. We are ahead of the new target of 40% female representation for diversity in senior leadership roles, as set out by the Hampton-Alexander review for FTSE 350 companies. 48% of our Senior Leadership team are women, and 57% of our Operating Board are women, however, we continue to have targets in place to remain focused on gender balance and we have more work to do on ethnic diversity in Senior Leadership roles.

[Glossary of terms]
Senior Leadership/Senior Level: Operating Board, Level 1 (Director) and Level 2 (Head of Department)

Our performance: Inclusive (continued)

Diversity (continued)

Gender diversity



Throughout 2022, our focus has been to improve the balance in gender diversity of shortlisted candidates for senior level and district manager roles. 18 District Manager roles were filled in 2022. 29% of candidates were women and 53% of roles were secured by women. Our position at the end of 2022 was 32% of colleagues in these roles are women, an improvement of 10 percentage points since our last report.

There were 5 senior level head office roles (Level 1 & 2) filled in 2022. At the interview stage, 25% of candidates were women and 67% of roles were secured by women. Our position at the end of 2022 of is 48% of colleagues in Senior Leadership roles being women, which has improved by 7 percentage points since our last report.
While we did not achieve our target for shortlisting, a higher percentage of roles were secured by women. We have action plans in place to review the way we advertise our roles and remove any perceived barriers to women's progression.

Ethnic diversity
In the UK, around 15% of the population identify as being from an ethnic minority background. In London this number increases to around 46%.

• 67% of our workforce identify as white
• 23% from ethnic minority backgrounds
• 10% prefer not to say

At Senior Levels there is minimal representation from ethnic minorities:
• 83% identify as white
• 5% identify from ethnic minority backgrounds
• 12% prefer not to say

London hotels
• 49% of colleagues identify from ethnic minority groups
We have more work to do to champion ethnic diversity, especially within Senior Level roles, and we have action plans in place to address this throughout 2023 and 2024.

Our definition for minority ethnic groups is anyone who identifies as non-white. We calculate ethnic minority in line with Ethnicity Pay Gap.

Key Performance Indicator
For 2023, we will continue to focus on balanced shortlists for gender and follow the same approach for ethnicity, with a target of 20% of shortlisted candidates to be from minority ethnic groups.

As part of our Better Future plan, our aspiration is that, by the end of 2025, 10% of our senior level colleagues (Operating Board, Level 1 & 2) will come from a minority ethnic background. At the end of 2022, 5% of our Senior Leadership colleagues identified from a minority ethnic background which was a 2 percentage point improvement from 2021.

Our performance: Inclusive (continued)

Inclusion

In previous years we have held discussions on this topic by way of an equality & diversity governance group which met quarterly.

As part of developing our Better Future plan, we recruited a Wellbeing and Inclusion Manager at the beginning of 2022 to focus specifically on delivering our inclusion calendar of events. Listening groups were held with colleagues such as our LGBTQ+ community to understand what else we could do in order for them to feel they belong. Suggestions from the group helped to inform activities throughout the year such as the creation of pride packs. Towards the end of 2022 we created seven senior leadership groups who will work together to sponsor and champion our inclusion agenda in the coming years for categories such as gender and ethnic diversity, emotional and physical health, and disability.

In our 2022 annual colleague satisfaction survey, Your Voice, for the first time we included a question asking whether our colleagues feel Travelodge is a place where everyone can belong. For our 2022 survey results, the company score was 8.0 out of 10, which we believe is a positive reflection of the work we are doing to educate and celebrate the diversity and inclusion of colleagues in our business. We aim to maintain this score whilst increasing participation in our survey.

Labour practices and decent work
Travelodge pays the national living wage to all hourly paid Team Members as a minimum, irrespective of age.

All hotels are provided with a workforce plan (internally known as a Blueprint) which is designed for hotel managers to enable them to recruit the optimum number of colleagues on greater contractual hours, with the aim of reducing labour turnover, improving the stability of our hotel teams and giving colleagues certainty of hours and take home pay.

Our data analysis, initially conducted in 2019 and regularly reviewed, shows us that colleagues recruited on an 8 hour contract are three times more likely to leave within 12 months compared to colleagues recruited on a 24 hour+ contract.

In January 2022 compliance to our 24+ hour contract target was 68% and therefore our focus for the year was to optimise the number of contractual hours for our colleagues, with a specific focus on 24 hour+ contracts. The success of this work is reflected in our achievement of 115% compliance, meaning a greater number of colleagues than targeted now have contractual hours of 24 or more.

Following trials of pay for productivity schemes (variable pay) during 2021, we launched one scheme in 2022 which rewarded our hourly paid hotel colleagues, enabling them to earn more for additional sales of breakfast at reception.

We continue to trial schemes which enable colleagues to increase their overall earnings potential. We track the impact these trials have on colleague stability and to date are seeing improvement in earnings and retention versus our control groups. As a result we have since (February 2023) launched a second scheme which rewards colleagues working in our Bar Cafés for selling Meal Deals.

Case Study
In 2022, a bar cafe team member at one of our London hotels earned the equivalent of around 50p per hour more than their normal average earnings from a combination of the breakfast scheme and other variable pay schemes being trialled.

Key Performance Indicator
Hotels to achieve 100% compliance for 24 hour+ contracts according to Blueprint requirements by the end of 2025. Following our success in 2022, we have increased our target to 100% from 90% for 2023 and beyond.

Training and skills development
Our People Pledge is "We are committed to creating an inclusive workplace, providing decent work with opportunities to learn more and earn more, where everyone can be their true self and belong". It is therefore essential our colleagues know what opportunities are available to them if they want to develop and progress, with the most beneficial way of doing this being through career conversations with their line manager.

We have a strong record of developing people from diverse backgrounds, raising their average incomes and improving their career prospects. Many of our hotel managers began their careers at entry-level and have successfully been promoted internally.

Our performance: Inclusive (continued)

Training and skills development (continued)

During 2022 we launched 2 new levels of our management development programme Aspire. With 4 levels in place, and levels 3 and 4 being part of an apprenticeship, not only can our hotel colleagues progress their careers from team member to hotel manager, but also achieve a recognised qualification as part of their journey. Ensuring our colleagues can achieve qualifications also underpins our work to support the government's Levelling Up agenda on social mobility. Our training not only looks at developing skills inside work, but also building skills that can be used outside work, such as confidence, resilience and empathy.

In our hotels, a larger percentage of women work in the lower-paid roles compared to senior roles, however between 70% and 80% of hotel management role vacancies are filled internally each year. Developing colleagues to enable them to progress into more senior roles will in turn support our gender diversity targets.

The importance of housekeeping remains paramount, combined with the capability to assist customers when needed. Therefore, we encourage colleagues to complete training to upskill them in other roles and become multi-skilled. Being multiskilled may also mean colleagues have higher earning opportunities as they can work in more than one department meaning more shifts may be available to them.

Our head office colleagues wanting to develop their careers can take advantage of an in-house People Management Programme, and in 2022 we launched Limitless, aimed at middle management colleagues with a focus on health, motivation and performance. We also support a number of head office colleagues to complete apprenticeships where there is a recognised standard in place.
In 2022, 24% of our head office roles were filled by internal candidates. Throughout 2023 our focus will be to identify by role level where we could do better.

Our 2022 Your Voice survey results for the question "If I want to, I know how to develop my career at Travelodge" scored 7.6, the same as our 2021 result and we therefore have more work to do to achieve our target. Throughout 2023 we will work to identify the business areas that require the most improvement and create action plans to address these.

Glossary
Aspire Levels: Aspire level 1 - designed for Team Members who wish to progress to Supervisor. Aspire level 2 - designed for Supervisors wishing to progress to Assistant Hotel Manager, Aspire Level 3 - designed for Assistant Hotel Managers wishing to progress to Hotel Manager, Aspire Level 4 - designed for Hotel Managers wishing to progress to District Manager.

Key Performance Indicator
In our head office roles we have set a target to increase the number of internal promotions from 40% by the end of 2025.

In hotel operations we aspire to maintain the current high levels of internal promotions at around 70%.

As a company, increase the Your Voice score for the question "If I want to, I know how to develop my career at Travelodge" from 7.6 to 8.5 by 2025.

Glossary
Your Voice:
Our annual engagement survey, used to understand levels of satisfaction from all of our colleagues throughout our business, with the aim of informing future initiatives for improvement.

Our Customers
At Travelodge, our purpose is to provide affordable travel for everyone. We offer our customers the best balance of location, price, and quality to suit their travel needs.

We use many tools to collate customer feedback on their experience with us and we plan to continue to engage with them to understand how we are responding to the sustainability issues that are important to them as described in the Listening to our Stakeholders earlier in this report.

Customer accessibility
At Travelodge, we believe everyone should be treated fairly. In the UK, there are around 14.6 million people living with a disability. We recognise the wide range of customers that use our premises and aim to make our hotels accessible and welcoming to everyone. There are currently 2,375 accessible rooms (5% of all rooms) within our portfolio, and we plan to continue this ratio in our new hotels.

Our Customers (continued)

Customer accessibility (continued)

In 2022 we partnered with Disability Positive, who have helped us review policies and procedures, the equipment used at our hotels and the way we train our colleagues. In consultation with Disability Positive we revised our Disability Awareness training which was rolled out to all staff during 2022, we updated our online booking process to allow guests booking accessible rooms to state whether they wanted the room set up as a twin or double room, guests booking accessible rooms can now also provide details of any assistance they might require to evacuate a building, search on the Travelodge website for hotels with accessible wetrooms, revised the internal signage to be more pictorial and user friendly and developed a new headboard design for accessible rooms the accommodates both the twin room and double room setup without compromising the customer experience.

We hold research groups as required to hear first-hand from our customers what their needs are, so these can be incorporated into both our service offering and our policies.

Travelodge is committed to making our website accessible to all users, including people with disabilities. To achieve this, the UK website has been developed in accordance with the Web Content Accessibility Guidelines 1.0 where possible.

These guidelines have been published by the World Wide Web Consortium to promote accessibility.

Key Performance Indicator
We want to do more to make our hotels accessible for everyone. We will continue to work with Disability Positive through 2023 to identify further improvements we can make to make our hotels more accessible for everyone, including the provision of an accessibility statement on our website, redesigning the headboards within our accessible rooms to provide a more convenient set up, reviewing the content of information about our rooms provided on our website to ensure that provides additional relevant information for guests with accessible needs, a new accessible room bathroom pod design and a review of our menu communication to include a more pictorial menu version.

Glossary
Disability Positive: A charity based in Cheshire and providing services, opportunities and a voice to people living with disability and long-term health conditions, and their families.

Our performance: Caring

During 2022 we achieved strong health and safety audit results during a challenging year of trading, continued to mature our wellbeing platform "Better Me" whilst also supporting CPR training for both our customers and colleagues in conjunction with our partner, the British Heart Foundation. We also began our transition to an externally assured information security framework, the National Institute of Standards and Technology ("NIST") Cybersecurity Framework, bringing further continuous improvement.

In 2023 we plan to improve the wellbeing of our colleagues by encouraging an inclusive culture that promotes a positive approach to health, safety, wellbeing and security. We will continue to develop our relationships with our charity partners.

Human Rights
We firmly support carrying out our business in a manner where the protection of individuals' human rights is paramount. We do this through our compliance with relevant legislation and through a growing insistence on ethical business practices. Where relevant we have company policies that reflect the rights granted to individuals under the Human Rights Act 1998 as well as the UK Modern Slavery Act 2015. This included such areas as treatment and non-discrimination, data protection, equality and diversity and health and safety. Our statement as required by the Modern Slavery Act is available on our website.

Health & Safety
Our number one priority is the health, safety and security of our customers and colleagues. We consider the safety of our customers and colleagues in all business decisions. We do this by having a comprehensive and proactive approach to risk assessment, clear policies, procedures and controls.

We regularly train our colleagues on our comprehensive range of safety and security policies and procedures. Refresher training is provided on a quarterly, six monthly or annual basis depending upon the topic. Health and safety related training is provided through a combination of formats including e-learning, face to face, workshops and one to one sessions. Training is regularly reviewed by the Health and Safety Team, and where appropriate external advisors, to ensure it remains fresh and up to date with changes in legislation and industry best practice. In addition, we have a nominated Safety Champion in every operational district to support hotel teams. Our Safety Champions are operational colleagues, usually a member of the management team or an experienced senior colleague from within

Our performance: Caring (continued)

Health & Safety (continued)

the operational district they represent, who can provide support and coaching on health and safety matters to others within the district.

Our hotels are audited twice a year by a global independent expert public health organisation, to ensure they are following Travelodge's comprehensive safety procedures and complying with all relevant health & safety, food safety and fire safety regulations. In 2022, the hotel health and safety audit pass rate was 98%, this was the third successive year achieving a pass rate above 97%. Our hotels are also subject to routine inspections from local authority Environmental Health Officers, Fire Safety Officers and officers from other various enforcement agencies.

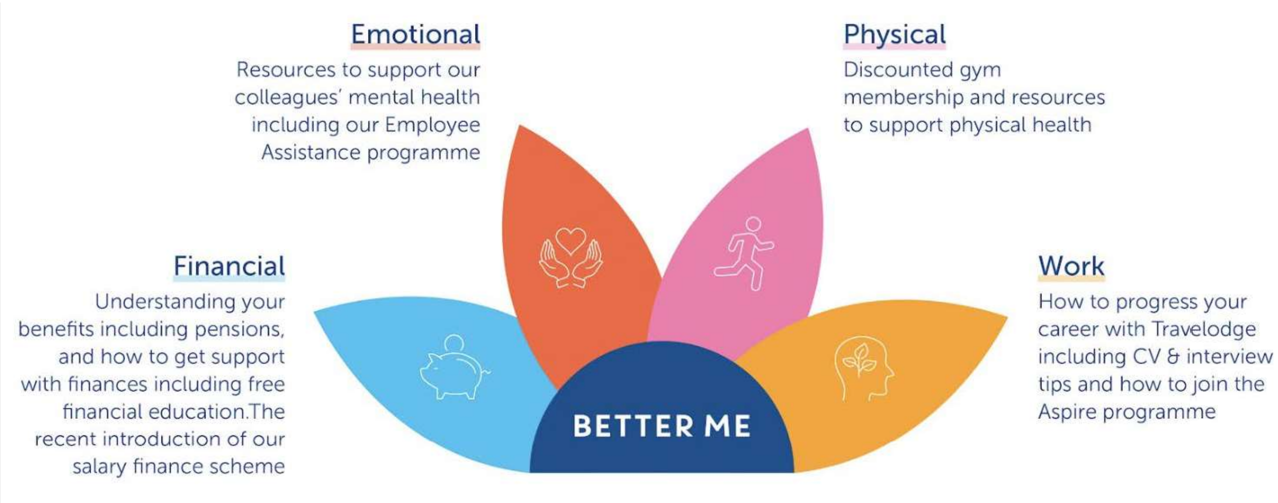
Our internal team actively monitors our audit, enforcement and accident and incident data, ensuring that all information is analysed, and improvements are made where possible. This helps us to prevent recurrence and reduces risk to our customers and colleagues.

As described in the governance section of this Plan, one or more Board Directors who are also Operating Board members as well as at least one additional Operating Board member attend the monthly Safety, Security & Risk committee. The committee ensures the risks we face are understood, managed and monitored into the future and whilst this covers all risks, it will focus on those which are more likely or more severe should they happen, such as the risk of fire or a cyber-attack. It will also review new and emerging risks, such as the potential for energy blackouts at the end of 2022.

Case Study – Safety during planned Power Outages
When the UK Gov announced that they may need to introduce planned power outages for up to 3hrs a night during the winter months, we designed a programme of processes, control measures and tests to keep our customers and colleagues safe and allow our hotels to continue to be occupied during potentially prolonged periods without power . The programme was developed by a cross functional team covering all aspects of fire safety, health & safety, food safety, building operation & maintenance, hotel activity and customer comfort & provision.

This involved mapping our hotel estate to the government's national power outage plan, conducting health and safety risk assessment across the estate and the deployment of supplementary lighting solutions in the form of industrial glow sticks to protect against the risk of emergency lighting failure.

Wellbeing
The physical, emotional, financial and work wellbeing of our colleagues is important to us. Our specially curated platform Better Me, provides resources to all colleagues to support 4 key pillars of wellbeing:



In 2022, we launched 'Better Me Moments' - creating a moment in time where as an individual or as a team, you do something to focus on one of the 4 pillars. Examples of Better Me Moments include team step challenges and mindfulness sessions.

Our Employee Assistance Programme provides an online and 24 hour telephone helpline for any colleague and members of their family needing support. Their service covers 3 of our core areas of wellbeing - financial, emotional and physical.

Our performance: Caring (continued)

Wellbeing (continued)

Legal professionals can provide support on a range of financial issues. Colleagues and their family members can benefit from up to 6 free face to face counselling sessions to support mental health issues from depression to relationship problems, and registered nurses can assist with physical wellbeing.

During 2022 we ran a number of internal campaigns focusing on different aspects of wellbeing including Mental Health Awareness month, Men's Health Awareness month, World Menopause Day, Travelodge Health MOT and National Pensions Awareness week. All our campaigns involve colleagues within our business and our aim is to educate, encourage conversations about topics which have historically been taboo, and provide self-serve resources for those that need them.

We offer a defined contribution pension scheme to all of our colleagues. Eligible colleagues are auto-enrolled into one of two schemes provided by Scottish Widows and NEST.

We will continue to build and evolve Better Me during 2023 and in future years. Our annual 'Your Voice' survey monitors whether colleagues feel that there are resources available to them at Travelodge to support their wellbeing. For our 2022 survey we achieved an overall company score of 7.7, a 0.3 percentage point improvement from 2021. Our head office colleagues scored 8.2 and so we have more work to do with our colleagues in hotel operations to improve our score. Throughout 2023 we will be creating action plans to address this.

Key Performance Indicator
Increase 'Your Voice' survey score for the question "There are resources available to me at Travelodge to support my wellbeing" from 7.4 to 8.5 by 2025.

Charity partnerships
Travelodge has partnered with the British Heart Foundation since 2017 and plans to continue the relationship during 2023. This charity was originally chosen by our colleagues.

In November 2022, at the BHF Heart Heroes Awards, Travelodge was recognised, as one of three companies, for their extraordinary work in the development and promotion of the BHF's new CPR training tool, RevivR. RevivR is accessible on your smartphone and teaches you how to administer CPR using only your phone and a pillow, removing the need for a traditional CPR dummy. In 2022, through our partnership we helped train over a 1000 people, both our customers and colleagues, to complete this life-saving skill, through RevivR.

We have placed a QR code sticker in every one of our c.45,000 rooms which will link you directly to the RevivR training. This will help keep both our colleagues and customers safe.

We also continued to work with Pennies during 2022, giving customers the opportunity to add a few pennies to their hotel room bookings, for charity. Customers have raised over £1 million pounds so far by using this digital charity box.

Key Performance Indicator
In 2023 we plan again to train a further 1,000 colleagues and customer in CPR.

Human trafficking and child abuse prevention
Human trafficking is one of the common forms of modern slavery. It occurs when men, women, children and young people are forced, tricked or persuaded to leave their homes and then exploited, forced to work or even sold.

Worldwide, 49.6 million men, women and children were victims of modern slavery in 2021. 12% of all those in forced labour are children. In the UK, Home Office statistics reveal that 12,727 potential victims of human trafficking were identified in 2021.

The use of hotels for child trafficking and use associated with criminal activity is a recognised issue throughout the hotel industry. Police and children's charities advise us that criminal groups will often move vulnerable children to locations outside of their known local area to minimise the child's ability to access help.

All our hotel teams are trained according to national guidelines supported by the NSPCC, which have also been approved by the National Working Group on child sexual exploitation, National Police Chiefs Council's (NPCC) National Operation Makesafe Team and various individual Police Services. Training is delivered via eLearning every 6 months.

Our performance: Caring (continued)

Human trafficking and child abuse prevention (continued)

Key Performance Indicator
Ensure all hotel colleagues to undergo safeguarding and human rights training during 2023 (not currently on long term absence or within their first 30 day induction training period)

Data security and customer privacy
We are committed to ensuring that all personal data, relating to both our customers and colleagues is held in a safe and secure manner and is used in an ethical manner. We have had no identified reportable data security breaches during 2022.

We aim to consider "privacy by design" into business change, particularly into areas involving particularly large volumes or sensitive data, as evidenced by ongoing privacy impact assessments for all significant uses of personal information and the translation of these into development plans, contracts and actions.

Case Study – Privacy By Design
During 2022 we replaced our customer survey service provider, and as part of this project we had to carefully consider data transfers outside the United Kingdom and implement arrangements to ensure data security for our customers. This involved challenging conversations with our new partner with regard to the appropriate controls that needed to be put into place before we could commence our new service.

We contract our key supply chain to stringent auditable data security standards prior to contract start or upon renewal based on the risk they present to us, (predominantly ISO27001 and NIST), and data processing agreements which cover all aspects of privacy including subject rights, transfer legality, information security controls, sub-processing and applicable standards.

We also have an independent Data Protection Officer to arbitrate on behalf of our customers and colleagues. We believe this important, despite not being a legal requirement following a change of guidance, because this offers impartial protection to our customers and staff should data incidents arise.

We only collect and maintain sensitive personal information data where it is strictly necessary for protection of life such as for Health and Safety reasons or consistent with maintaining good employment practices. Such usages are subject to mandatory privacy assessment.

A number of years ago we selected the Centre for Internet Security (CIS) Critical Controls Framework to start benchmarking our cyber security and drive the cyber security maturity of the organisation. This was done via self-assessment and has served the organisation well to get our maturity to the level it currently is, on a par with our industry peers.

We have recently transitioned our Information Security audit framework from the CIS framework to the globally recognised National Institute of Standards and Technology (NIST) CyberSecurity Framework. From 2023 this NIST control framework will be externally audited by a specialist agency to provide wider assurance and consistency. These moves reflect the progress we have made in previous years and will enable our security and compliance programmes to stay aligned with industry best practices moving forward.

We also conduct a wide array of colleague training and awareness programmes, scheduled and ad hoc technical security testing using a range of security tooling and independent third party specialists alongside a Responsible Disclosure Programme. We have an externally facing policy, available on our website, which provides instruction to external cyber testers on how to disclose cyber issues they may be aware of in relation to our website and other assets in an ethical manner. Issues raised are tracked internally to resolution. As a policy, we do not pay bug bounties.

We maintain, train and support data privacy champions in each of our business functions whose role is to ensure ongoing compliance with ethical business practices with regard to our customer and colleague data.

Case Study – Phishing attacks and awareness training
We operate a continuous colleague testing and awareness programme with colleagues tested multiple times per year. During 2022 we continued to exceed our KPI for phishing awareness even though we had many new colleagues join us in the summer. We have also raised the complexity of the simulation testing to ensure colleagues have experience of how a sophisticated phishing attempt would appear.

Our performance: Caring (continued)

Data Security and Customer Privacy (continued)

Case Study – How others see us
As part of our ongoing due diligence and assurance activities we benchmark our external asset security posture against our industry and more broadly using independent third party services. We are currently in the top 20% for organisations with 100 or more hotels.

Key Performance Indicator
We plan to maintain continuous testing and a phishing susceptibility rate of less than 10% across the business.

Anti-corruption & Anti-Bribery
Travelodge's policy is to conduct all of our business in an honest and ethical manner. We take a zero-tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate and implementing and enforcing effective systems to counter bribery and corruption.

Our performance: Conscious

Our goal is to become a net-zero business by 2050, including measuring and reducing our indirect scope 3 emissions. Having now agreed our plan for direct scope 1 and 2 emissions and the process to understand indirect scope 3 emissions, in the coming year we will set out to deliver this plan to target.

This will include the continuation of installing smart heating and cooling controls within our hotels, testing the ability to retrofit Air Source Heat Pump technology into a trial set of hotels and revising our new build and refurbishment specifications to reflect the strategic importance of sustainability. We also expect to conclude the initial measurement of our indirect scope 3 emissions and have set our first targets.

We are confident that through the implementation of this plan, we will meet our target to reduce our electricity consumption by 13% by the end of 2023, compared with a 2017 baseline.'

We note that given the UK government has set in law that the UK will be net-zero by 2050, it is likely that legislation will also evolve in the coming decades to ensure businesses and individuals/ consumers will be required to move away from gas consumption in due course. We have seen this start with the announcement that by 2025, all new homes will be banned from installing gas and oil boilers and will instead be heated by low-carbon alternatives.

In our first report, we said we would decide whether to accredit our plan against an external standard, such as SBTi. To be able to do this we need to have a plan for the emissions that we directly control (called scope 1 and 2 emissions), but also our indirect emissions (called scope 3 emissions) such as those produced by our supply base. To conclude on a decision, we therefore have to assess our indirect scope 3 indirect footprint and include those material greenhouse gas emissions in any plan, and ensure we have clear actions in place to reduce our footprint over time, aligned to the latest climate science. We intend to assess our indirect scope 3 emissions during 2023 and be in place to submit or consolidate direct and indirect plans by the end of 2023.

Our direct carbon Footprint
Our direct carbon footprint for 2022 was 41,270 tonnes (2021: 39,922 tonnes) of carbon dioxide and equivalent gases (CO2e), with an intensity of 45.4 tonnes (2021: 70.6 tonnes) of CO2e per £million turnover and 3.1 tonnes (2021: 4.0 tonnes) of CO2e per 1,000 rooms sold.

Although overall we used 10% more energy for 2022 versus 2021, our intensity metrics reduced because:

- We have continued to roll out smart heating cooling controls during 2022 to 133 hotels and benefited from the annualisation of a further 44 hotels completed in 2021,
- Generally, 2022 was a warmer year than 2021, requiring less energy to heat our hotels, particularly in quarter 1 and 4; and
- We were more occupied in our hotels and had more sleepers staying with us, which inherently keeps our hotels warmer and therefore require less energy to maintain similar heating levels.

We have reported on all of the emission sources which we deem ourselves to be responsible for, as required under the Companies Act 2006 (Strategic Report and Directors Report) Regulations 2013. These sources fall within our operations control and financial boundaries and include emissions from manufacturing, retail and distribution sites and the operation of our distribution fleet.

Our performance: Conscious (continued)

		Current reporting Year 2022	Current reporting Year 2021	% change 2022 v 2021
	Energy consumption used to calculate emissions: kWh	**215.4 GWh**	**196.3 GWh**	**(9.7)%**
		Current reporting year 2022 (tonnes of CO2e)	**Current reporting year 2021 (tonnes of CO2e)**	**% change 2022 v 2021**
Scope 1	Emissions from combustion of gas	13,719	12,336	(11.2)%
Scope 1	Emissions from combustion of fuel for transport purposes	1,401	1,010	(38.7)%
Scope 2	Emissions from purchased electricity	25,650	26,277	2.3%
Scope 3	Emissions from business travel in rental cars or employee-owned vehicles where company purchases the fuel	500	298	(67.6)%
Gross Emissions	**Total CO2e emissions**	**41,270**	**39,922**	**(3.4%)**
Intensity measure	Tonnes of CO2e per £m turnover	45.4	70.6	55.5%
	Tonnes of CO2e per rooms sold	3.1	4.0	21.4%

- *% change 2022 v 2021 is positive where emissions or intensity measures fall and negative where they rise.*

The methodology used to calculate our emissions is based on the UK Government's Environmental Reporting Guidance (2013), the GHG Protocol (2004), and is in line with the methods used previously for reporting under ESOS and the CRC Energy Efficiency Scheme. Emissions factors are taken from the UK Government's GHG Conversion Factors for Company Reporting (2022 & 2021).

Recognising the importance of our impact on the environment we voluntarily adopted in part the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 for the year ended 31 December 2019.

In line with Companies Act 2006 (Strategic Report and Directors Report) Regulations 2013, we are now reporting our greenhouse gas (GHG) emissions as part of both our annual strategic report and annual sustainability report.

Energy management
In our first report in 2022 we set an objective to finalise our route to operating our hotels on a fully decarbonised basis by 2050, and also consider how this route could be aligned to external standards like Science Based Targets ("SBTi").

Our hotels predominantly use electricity for lighting, alongside heating and/or cooling our buildings using panel heaters or air conditioning. In some cases hot water is also heated via electric boilers, although the majority use gas.

During 2022 we have focused on this objective, and now have a planned trajectory to make Travelodge a net zero operator by 2050 for our direct emissions. We expect to achieve this through a general reduction of net energy consumption through to 2030 by leveraging technology such as:

- Efficient LED lighting in both common areas and guestrooms
- Smart Heating and Cooling controls
- Solar panels
- Replacing old, inefficient, electrically powered boilers for hot water, with new technology such as Air to Water Heat Pumps.

By 2030 we expect that we will be able to achieve a reduction in annual energy usage of around 75 GWh (or 35% of our 2017 energy use) across all of our existing hotels. This is an average across all of our existing hotels and will vary by hotel dependant on age and condition. To date, we have already generated an estimated annual reduction of 24 GWh through the installation of LED lighting at most of our hotels and smart heating and cooling controls at 260 of our hotels by the end of 2022.

By 2050, we aspire to also transition away from the use of gas to heat hot water and transition to new technology, with a current option being Air To Water Heat Pumps. As a leaseholder, we recognise the challenge of achieving this across c.500 sites where gas is used, given the significant estimated cost of doing so (estimated c.£70m to £80m).

Our performance: Conscious (continued)

We will work closely with our landlords to ensure we deliver an optimal outcome to all parties.

The above plan, implemented in conjunction with the UK national grid fully decarbonising by 2050 as set out in law by the Climate Change Act, would achieve a balanced outcome for our direct emissions by reducing our existing electricity consumption, benefiting from a decarbonised national grid and seeking to transition our gas consumption to more efficient technology. We will also understand our indirect scope 3 emissions and work with our supplier to drive their own decarbonisation.

We recognise that the transition to net zero is fraught with complexities - economic, political, technological, and social. We will continually review our plan as we progress towards a low carbon economy and we will support wider climate action as we do so, such as carbon offsetting where appropriate.

Glossary of Terms – Air to Water Heat Pumps
A relatively new air source heat pump technology that uses electricity to produce heated water. The key benefits are twofold: it uses electricity which can be generated from low or zero-carbon green sources, rather than gas, and it is approximately 300% more efficient, than existing electric immersion or gas-fired domestic hot water systems.

In addition to developing our plan, we continued to deliver other energy reduction projects through the year. We installed smart heating and cooling controls at 133 of our hotels during 2022, bringing the total across the whole estate to 260 hotels. Reviews during the year continued to validate that installing these controls reduces our heating electricity consumption by around 45%. Given new technology is also so important to delivering our wider plan, we now have Air to Water Heat Pump based hot water systems installed at 5 new hotels and plan to replace existing electric immersion hot water systems with Air to Water Heat Pump based systems in 2 of our existing hotels in Carlisle and Ilford during 2023. This will enable us to test and understand the challenges of retrofitting these at existing hotels and be ready for a wider rolling plan of replacements of other electric immersion hot water systems within our existing estate from 2024.

Key Performance Indicator
Reduce energy use by a further 1.5% by the end of 2023, bring our total reduction to 13% versus our 2017 base year. Complete the assessment of our indirect emission footprint and be in a position to produce a SBTi submission by the end of 2023.

Case Study – Emission reduction in preparation for our Net Zero Plan
During 2022 we spent time pivoting our energy programme, which was initially focused on financial value, to a more balanced plan which gives greater weighting to carbon reduction. This involved refreshing the various opportunities to reduce carbon emissions, with a detailed review of the complexity and cost to deliver this, in light of our operating model.

Case Study – Electric Vehicle Charging
In addition to our route to reduce our direct energy consumption, we also want to ensure we can support our customers to arrive at our hotels more sustainably, without the need to do this using a fossil fuel vehicle. During 2022 we started a project to partner with an Electric Vehicle charging specialist with a view to installing chargers in all of our locations where it is possible to do so.

Building new hotels and refurbishing our existing hotels
Growth through new hotels is key to Travelodge's strategy. Despite challenging conditions in the property development market, in 2022, we opened 5 new hotels and plan to open a further 8 during 2023, before returning to more normal levels of c.15 hotels per annum thereafter.

During 2022 we undertook a review of our new hotel construction specification and have identified opportunities to make changes that will ensure future new Travelodge hotel will achieve A rated EPC and a BREEAM performance level of at least Very Good. The amended specification will be introduced during 2023. Given the lead time from agreeing a lease to our hotels opening is typically around 18-24 months this will ensure that hotels opening from 2025 onwards will achieve these standards.

Cyclical refurbishment of our existing hotels is another ongoing activity where we want to ensure we use products that have sustainable credentials, use as little CO_2 as possible to make and that generate as little waste to landfill as possible. We also want to make sure that we reuse or recycle as many of the things we replace in this process as possible. During our extensive 2022 refurbishment programme our partner contractors made big strides in reducing waste to landfill with 35% of projects completed without sending any waste to landfill. In 2023 we will continue working with our partners to make significant further reductions in waste to landfill and to further improve the reuse or recycling of items we replace in the course of a refurbishment.

Our performance: Conscious (continued)

Key Performance Indicator
During 2023 we will redraft our Construction Specification for new hotels to incorporate the changes identified to enable us to deliver new hotels to the standard of at least BREEAM Very Good. We will introduce the updated specification to new development agreements entered into from the second half of 2023 onwards.

We will ensure that the sustainability credentials for all key suppliers of goods or services associated with the refurbishment of our hotels are continually reviewed, including their progress on reducing carbon emissions, the volume of renewable energy they use and the volume of product recycling they undertake, including progress on zero to landfill.

We expect to start discussions with our three key refurbishment suppliers during 2023 as part our sustainable procurement drive which is covered later in this report.

Case study - New hotel builds - London Wimbledon
Our new London Wimbledon hotel opened in November 2022. This hotel was also designed and constructed to an 'Excellent' BREEAM rating and achieved an EPC rating of A.

This hotel is equipped with Air to Water Heat Pumps as the primary source for heating hot water. Areas of green roofing work as part of the water attenuation system that mitigates the impact of the development on the local drainage infrastructure.

One of the planning conditions for the hotel required the design to be enhanced to achieve 35% betterment against energy efficiency requirements of Building Regulations. The completed design exceeds this condition by achieving 44% betterment over and above the Building Regulation requirements.

Case study – 2022 refurbishment programme
The refit programme involves the replacement of a high volume of items such as mattresses, where the old items being removed can potentially be utilised in other sites. All such items are now subject to a condition-based check post removal from site to assess whether they are fit to be repurposed as opposed to being disposed of. During 2022 this included 6,500 mattresses, 3,000 bedroom chairs and about 6,500 sets of curtains.

Glossary
BREEAM - BREEAM stands for 'Building Research Establishment Environmental Assessment Method'. It is an established method of measuring the sustainability of buildings and how the design of a building should be considered. It can form part of the planning conditions local authorities impose on new developments.

EPC - an Energy Performance Certificate (EPC) is a legally valid document which provides an energy efficiency rating (displayed on an A-G scale) in relation to a property's running costs. This rating will take into account the potential energy performance of the property itself (the fabric) and its services (heating, lighting, hot water etc).

In our last report we explained that even if the world stopped emitting greenhouse gases (GHGs) tomorrow, the effects of climate change would be felt for many centuries to come. Efforts today to reduce the amount of GHGs entering the atmosphere will help to limit the impact on future generations.

We set a target to understand how climate change will affect our business, customers and supply chain. During 2022, we partnered with a climate risk consultant and started a project to identify the climate related risks and opportunities which may impact us under different future states. To ensure we future-proof our business against the impacts of climate change, we are identifying and assessing a range of climate-related risks relevant to our business. These are categorised as either physical risks; resulting from weather and climate factors such as rainfall and temperature rise, or transition risks; arising from a failure to meet key expectations of businesses in a low-carbon economy. Due to the uncertainty of what the future holds, we are examining these risks under two distinct scenarios; one following the assumption that businesses continue as usual and global warming continues to increase unchecked, and a second scenario where businesses effectively transition toward a low-carbon economy on a global scale, thus limiting global temperature increase.

We expect to complete this project during 2023 and include the output from this in next year's annual report. This will also ensure Travelodge adheres to the requirements of the Task Force for Climate Related Disclosures ("TCFD").

Key Performance Indicator
Complete our climate risk and opportunity project during 2023.

Our performance: Conscious (continued)

Water management
Water is a vital resource, however, around 40% of the world's population is affected by water scarcity. The supply of water in the UK is becoming more unpredictable and issues around taking water from surface sources alongside water infrastructure mean that within the next 20 years, demand for water in parts of southern England are projected to outstrip supply.

All businesses have a responsibility to use water wisely. Travelodge mainly uses water in bedrooms (showers, toilets, sinks) with some also used in bar cafes and for cleaning.

Our partner specialist energy brokers monitor and report on our water consumption, benchmarking our use against similar sized businesses and advising on measures to reduce our use. These include maintaining aerated shower heads and taps, which reduce the associated water consumption by up to 50%.

Key Performance Indicator
We have set a target to reduce our overall water consumption to 100 litres per customer by 2025 from 133 litres in our base year. We are extending our maintenance programme, adjusting excessive shower flow rates, repairing leaks and addressing plant room issues.

We will also be assessing the opportunities for further water conservation and, where appropriate, water reuse.

During 2022 our plumbing team replaced toilet cisterns in 16 hotels covering over 1,500 rooms. These hotels are now averaging water usage of 104 litres per guest reduced from 171 litres pre fix. Our estate wide benchmark is 119 litres per sleeper as at the end of 2022*

**Based on approximately 80% of hotels where we have consumption data*

Waste management & recycling
Waste comes in many forms and is generated by our business, our supply chain, and by our customers. Plastics, electronic waste, leftover food – everything no longer needed has to go somewhere.

In 2022, we identified with our waste suppliers and hotel team's potential opportunities to increase customer recycling. This year we will be trialling increasing customer recycling across our hotels to understand and set realistic targets and to ensure waste management procedures are easy for our Colleagues and Customers.

While recycling has its place, the best way of dealing with waste is not to create it in the first place. We are continuing our work with suppliers on the opportunities to rethink and redesign processes to avoid waste altogether.

In parallel, we are working with our suppliers to ensure we implement the upcoming waste management legislation efficiently with simple processes in our Hotels such as the Disposal of food waste in England and Wales, Deposit return Scheme in Scotland and waste segregation in Wales.

Key Performance Indicator
In 2023 we will work to set these targets in readiness for 2024. We still have work to do with our suppliers to agree a more detailed plan on how we reduce waste coming into our business.

Case Study – Sustainable paper
In 2022 we moved our hotels to sustainable paper made from Eucalyptus globulus which is 100% recyclable and FSC certified. The paper is 12% lighter naturally saving resources including fuel to transport and uses 40% less wood vs pine-based paper reducing the number of trees required. Eucalyptus globulus is carbon efficient with the impact from one ream of paper offsetting the carbon emissions of a car travelling for 35 km.

Responsible sourcing & supply chain management
Procurement plays a crucial role in executing sustainability strategies as it orchestrates where and how a company spends and can therefore ensure that business with Suppliers is conducted in a manner that aligns to certain environmental, social and ethical standards. Procurement can leverage responsible sourcing activities to identify and correct supply chain risks and encourage suppliers to limit environmental impacts. Sourcing risks include labour exploitation, environmental pollution and unsafe working conditions.

Responsible sourcing will be a key element of development within our procurement processes and allow Travelodge to incorporate ethical, sustainable and socially conscious principles into sourcing, procurement and its overall supply chain management practices.

Last year we targeted 15 business critical suppliers and conducted a sustainability assessment of their businesses using a bespoke questionnaire; developed jointly with Simply Sustainable. This included questions such as the current

Our performance: Conscious (continued)

position and any targets covering carbon footprints across all three scopes, inclusivity and diversity as well as health and safety and information security.

Key Performance Indicator
During 2023 we plan to expand our supplier discussions to a further 32 key suppliers bringing our total supplier engagement up to 47 suppliers, representing around 60% of addressable spend (which excludes certain costs such as property related costs and colleague wages)).

We aim by 2025 to have:

- Established supply chain KPIs and target improvement areas to report on,
- Included sustainability themed questions into all formal suppliers request with agreed weighting criteria within evaluation scorecards,
- Established a sustainability governance model for Travelodge's supply chain; and
- Embedded carbon targets into an agreed level of our supply chain activities

Case Study

Nestle Down Beds (Sleepeezee)
Mattress and bed base provider. Have installed 591 energy saving solar panels which support 25% of plant requirements with the remainder sourced via renewable energy suppliers.
- A reduction of c.46 tonnes of CO_2 p.a.
- 0% waste to landfill (since 2012)
- First UK Bed supplier to be awarded the Planet Mark Accreditation.

Samsung:
Provider of TV's, mobile phones and air conditioning. Have achieved 100% renewable energy used in production.
- Winner of Gold Tier from the U.S. Environmental Protection Agency
- Reduction to date of c.301 million tons of CO_2 emissions through financial investments in initiatives such as solar & wind projects.
- 95% of all waste from manufacturing plants is reused in onward production.
- 100% RMAP (responsible minerals assurance process) compliance across the entire supply chain.
- Approx. 5 million tons of E-Waste collected and reused to date.

Note that the Directors of the Company are a subset of the Board of Directors of the Group, therefore the Group strategic direction is applicable to the Company.

Section 172 Statement

This section 172 Statement aims to help shareholders better understand how directors have discharged their duty to promote the success of the Company for the benefit of its members, having considered the interests of various stakeholders and the broader matters set out in section 172(1)(a) to (f) of the Companies Act 2006:

a. the likely long-term consequences,
b. the Company's employees,
c. relationships with suppliers, customers, and others,
d. the impact on the community and the environment,
e. the Company's reputation for high standards of business conduct, and
f. the need to act fairly between members of the Company.

The Wates Corporate Governance Principles for Large Private Companies provides a framework for the Group to demonstrate how the Board make decisions, aligned with the strategy, for the long-term success of the company and its stakeholders, as well as having regard to how the Board ensure the Company complies with its requirements of this Section 172 statement. The Company adopted the Wates Principles during 2019. Our reporting against the Wates Principles has been included on pages 51 to 54 and should be read in conjunction with the information on stakeholder engagement and key decisions discussed within this report.

Stakeholder engagement and consideration

Accountability and transparency with stakeholders is key to the long term success of the Group. We consider our key stakeholders to be customers, team members, shareholders and investors, landlords and other creditors including key operational suppliers, local authorities, and communities.

Further details of how we have engaged with these groups is given within the sustainability section of this report, however some examples of how the Board ensures that stakeholders are considered during Board meetings and for decisions are as follows:

- monthly reporting to the Board as part of the CFO update with a range of KPIs including customer and colleague metrics,
- regular meetings with the Company's shareholders,
- quarterly briefings to the Group's bondholders,
- regular meetings with lenders,
- six monthly business update calls with landlords, developers and key contacts from the property industry and regular newsletters
- 6-monthly updates to the Sustainability Committee to track progress against the Group's 'Better Future-Sustainability' plan,
- presentation of the feedback from the annual Your Voice colleague survey for review,
- twice yearly "Shadow Board" meetings with a cross section of 12 employees representing all areas of the business
- the monthly CEO update includes any interaction with lenders, team members, landlords and regulators and presents any required decisions for review,
- and regular updates from across the organisation to help it understand the impact of decisions on all the key stakeholders.

Read more about our stakeholder engagement on page 54.

Principal decisions

We outline below examples of how the directors of the Company have had regard to the matters set out in section 172(1)(a) to (f) in their decision making during 2022, including consideration of employees and other stakeholders.

Repayment of Group debt

In 2022, in light of our strong trading performance and cash generation, the Board took the decision to reduce the Group debt by repaying the £40 million Revolving Credit Facility with its banking partners in the first half of the year and, in October, repaying the £60 million super senior term loan in full.

Section 172 Statement (continued)

Principal decisions (continued)
The Board consulted advisers and shareholders, considered the views of rating agencies, and considered the results of customer research regarding quality standards in the hotels. Having considered a number of different scenarios and the impact they might have on the Group's financial position, the Board concluded that it would most likely promote the success of the Company in the long term for the benefit of its members as a whole, to make the debt repayments, reducing the Group's leverage, resulting in lower future interest payments, improving the Group's creditworthiness and allowing the Group to focus more resources on its strategic initiatives over the coming years. Consideration was made to alternative options, including further investment in the existing estate to improve quality for our customers. It was concluded that the existing plans for refit were appropriate for the business and that repayment of the debt had a wider reaching benefit across the stakeholder groups.

In taking these decisions the Board considered the matters set out in s. 172(1)(a) to (f).

Employee Cost of Living Support

During the course of the year, the Board considered the cost of living crisis in the UK given the inflationary environment, especially the impact on energy and food prices and the increasing interest rates. The significant impact on our employees and customers was evident from feedback received. In the run-up to the Christmas period, the Board took the decision to provide cost of living vouchers to all employees (other than senior management) across the entire UK organisation, at a gross cost of £4m. The vouchers could be used to pay for goods from within a set of nominated supermarkets and were provided on a gross basis, with the company covering the tax bill on behalf of colleagues. In taking this decision, the Board considered the interests of our employees and the likely benefits of the scheme on morale, retention and customer service, which also impact on the Group's customers and overall business, balanced against the alternative investment choices such as further refit or repayment of debt. The voucher scheme was well received across the Group and demonstrated the Board's commitment to our employees and their well-being. In taking these decisions the Board considered the matters set out in s. 172(1)(a), (b), (c) and (e).

LXI Regear

In December 2022, the Company announced it had exchanged contracts with LXI REIT plc ("LXI"), the Group's largest landlord, on a lease regear on 122 Travelodge hotels which LXI acquired as part of the Secure Income REIT ("SIR") merger in July 2022.

As part of the regear agreement, the previously uncapped RPI rent reviews were converted to CPI+0.5% with caps and collars (4% pa and 1% pa, respectively). The unexpired lease terms on the 122 Travelodge hotels were extended by a weighted average of nine years and the parties agreed "rent-smoothing" on 97 sites, to ensure that each hotel has a robust stand-alone rent cover (EBITDA/rent). Travelodge also took the opportunity to agree "green lease" provisions within the leases, including: (i) sharing of energy, water, recycling and waste data; and (ii) co-operating on the environmental, social and governance strategies of the landlord and tenant.

The move from RPI to CPI linked rent reviews with the caps in place limits the impact of the current high inflation environment.

The Board was mindful of the need to ensure good, constructive relationships with its landlords and the interests of the Group in reducing the future uncertainty around rent increases and securing long-term lease benefits. It was also a key consideration that Travelodge would work with its largest landlord on environmental, social and governance strategies to further the Group's 'Better Future' sustainability agenda, benefitting our communities and the environment. In taking these decisions the Board considered the matters set out in s. 172(1)(a), (c), (d) and (e).

New development Sustainability Considerations

Travelodge has previously outlined the need to assess and mitigate the impact that our new hotel openings programme has on the company's carbon footprint. A significant consideration is the construction specification for our new hotels and opportunities to make this specification more energy efficient and sustainable, which normally requires additional investment. The Company undertook a review in 2022 supported by third party advisors, and as a result, our new opening programme construction specification has now been amended, with a policy to deliver minimum standards of EPC ratings of A and BREEAM ratings of very good, where possible. In taking these decisions the Board considered the matters set out in s. 172(1)(a), (c), (d) and (e).

Principal risks and uncertainties

The Directors have carried out an assessment of the principal risks facing the Company, including those that would threaten its brand and reputation, delivery of its strategy or its physical assets, people or systems.

This is carried out under a risk management framework including internal controls to protect our business as far as reasonably possible against known and emerging risks and a periodic review of those controls to reduce the risk of failing to achieve our business objectives.

Additional risks and uncertainties, not presently known to management or deemed less material currently, may also have an adverse effect on the business. Further, the exposure to each risk will evolve as we take mitigating actions, or as new risks emerge. The risks set out below provide a summary of the position at the date of the annual report.

Risks are grouped according to their overriding theme and are described along with the strategic pillars to which they are linked, and the movement in net risk during the year.

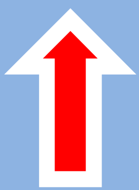
Financial risk management is also presented within note 20.

Principal Risk	Description	Key Mitigations	Progress
Health, Safety, Security and Wellbeing (including covid 19) Impact compared to 2021: 	Our activities have the potential to cause serious injury to our customers and colleagues, to damage property or the environment, to have a negative impact on the wellbeing of people or to harm our reputation. Key areas remain the risks we face from fires within our hotels and the personal safety of our customers and colleagues. During 2022 the risk we faced in relation to Covid-19 reduced as the government continues its vaccination rollout and the UK population built up herd immunity.	We are focused on demonstrating the highest standards of Health & Safety management. The Safety, Security and Risk committee meets at least 11 times each year and acts as the senior leadership group responsible for Safety, Security and Risk. This committee is chaired in several parts by various members of our Operating Board. The results of this committee are reported monthly to our Operating Board with a summary reported to our Main Board at least twice a year, and any issues raised as they occur. We regularly train our team members in a range of topics and share and develop best practices internally through our District-based Safety Champions. We continue to build our relationships in Primary Authority Partnerships with key enforcement agencies and externally with other organisations. We use an independent third party to carry out unannounced safety audits at all our hotels. Each hotel will typically receive at least 2 reviews a year, or more based on their risk profile. We actively monitor our audit, enforcement and accident and incident data, ensuring that all information is analysed and	Our Health & Safety record has been consistently good and has maintained a strong track record in line with our commitment to robust Health & Safety management. We maintained strong Health & Safety audit results in 2022. Our lone-worker devices support and protect our colleagues who work alone, particularly overnight, providing extended coverage across our hotels. During 2022, we changed the provider and enhanced the provision of devices in hotels. Recognising the importance of fire, we also appointed a National Fire Advisor who previously worked within the fire service, to ensure we have the right resources to support our hotel teams and react to changes in legislation such as The Fire Safety (England) Regulation 2022. We also continued to develop tools to support our colleagues' well-being, with our platform 'Better Me'. Further details of this can be found in the sustainability section of this report.

Principal risks and uncertainties (continued)

Health, Safety, Security and Wellbeing (including covid 19) (continued)

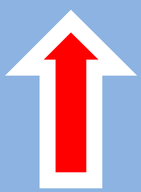
		improvements are made where possible. We have dedicated Incident Management procedures to react to serious events within our business, which are tested periodically through each year.	

Principal Risk	**Description**	**Key Mitigations**	**Progress**
Regulatory Impact compared to 2021: 	Large financial penalties or enforced closures of our hotels could be imposed for breaches of Health & Safety or Data Protection legislation. Due to the number of hotels we operate, and the volume of customers who stay with us, we may be exposed to isolated incidents which fall below our expected standards and may expose us to prosecution. New regulation can impact upon Travelodge's business model and cause us to need to change our ways of working which incur additional cost. An example of this would be increases to the National Minimum Wage. As a large private company we note that the level of regulation continues to increase, including the impact of the white paper issued by BEIS in relation to audit and internal controls and changes to fire legislation such as The Fire Safety (England) Regulation 2022.	Through our Safety, Security and Risk Committee, new and emerging risks covering all aspects of risk, including regulatory changes, are considered and assessed. All risks within our business are owned by one of our Operating Board members and reviewed at least quarterly for material change. We also maintain relevant insurance cover to an appropriate level both where required under regulation or where consider appropriate to mitigate a specific risk.	During 2022, Travelodge remained abreast of new and changing regulations. We maintain a dedicated group to review changing fire legislation. This multi departmental group includes an expert panel of internal and external advisors to ensure legislation is appropriately considered. A working group continues to remain in place to ensure the outcome of the BEIS review is adequately understood.
Liquidity Impact compared to 2021: 	The Group operates a highly operationally and financially geared leasehold model, with high levels of fixed costs (including rent) and is funded mainly by publicly traded bonds. A lack of appropriate levels of covenant headroom, cash resources, or	In 2022 the Group de-leveraged by over £100m following the repayment of the drawn revolving credit facility and super senior term loan. The Group also secured a credit rating upgrade from Moody's and in early 2023 a credit rating upgrade from S&P, reflective of the strong performance of the business.	This risk has reduced. Please see the Outlook section and the Going Concern section in the Strategic Report for more details on current developments.

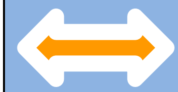
Principal risks and uncertainties (continued)

Liquidity (continued)

	inadequate cost controls could impact our financial performance.	The Group has considered the possible cash requirements to the end of 2023 and modelled severe but plausible downside scenarios against the base case, within which the Group retains sufficient liquidity. For further details see the CFO Report.	

Principal Risk	**Description**	**Key Mitigations**	**Progress**
Recruitment and retention Impact compared to 2021: 	We employ over 12,000 people, particularly team members earning the NLW, assistant hotel managers and hotel managers. Market forces and other impacts such as the impact of Brexit and indirect consequences of the Covid-19 pandemic have resulted in a shortage of available workforce. As a result of this, and our roles becoming less attractive to the younger generations, competition for employees is significant in our markets. The Office of National Statistics continues to show a record-high number of vacancies. There is also a smaller pool of candidates to draw from post-Brexit, including the economically inactive. The increasingly well-educated younger generations are less attracted to our entry-level roles.	We continue to operate our hotels on minimum manning levels subject to their risk and complexity. We also seek to continue to improve operational efficiency where possible. We have end-to-end processes to on-board our colleagues, build their understanding of our purpose and how they fit into this, to provide appraisal and development and career progression opportunities where possible, alongside other opportunities to consider and improve their well-being and a focus on ED&I to ensure Travelodge welcomes everyone to its team. We continue to investigate the driver for leavers and what keeps people here. As a result of this, our work to ensure people have contracts which reflect the hours they work continues. Our average contract length now sits at just under 18 hours. Our careers website will be updated in 2023 to better reflect the diverse nature of our colleagues, and we continue to explore other areas of opportunity.	During 2022 we continued to drive the attractiveness of our roles through excellent training and career development opportunities, as well as opportunities to work flexibly around personal commitments We recruited just under 70% of our management vacancies internally and 93 people completed our Aspire development programme. We also consider the well-being of our colleagues to be key to successful retention. This is covered in further detail within the sustainability section of this report We commenced work with the Purpose Coalition to support the government's Levelling Up strategy - an area we feel we can significantly contribute to, the report was launched in March 2023.

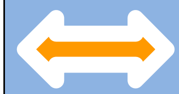
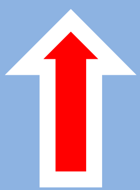
Principal risks and uncertainties (continued)

Principal Risk	**Description**	**Key Mitigations**	**Progress**
Competition Impact compared to 2021: 	Our competitors could adjust their room rates, adversely impacting demand for our rooms.	We operate a best-in-class revenue management team and system, which allows us to forecast our prices versus our competitors accurately and frequently, and therefore price confidently. We regularly benchmark our own results to Smith Travel Research, an industry benchmark data set. For further details on how our pricing feeds into our strategy and our mission to deliver affordable travel for everyone on page 8.	During 2022 we performed strongly versus our competitors outperforming our comparable market set. Further details of this can be found on page 4. We have a continuous programme of improvement, and some recent examples include: In digital we changed the hotel detail page and enabled Apple Pay. In revenue management we added an extra daily optimisation, instant optimisation for events and more granular reference data; and In sales we have a continuous programme to sign up more small and medium entities alongside improvements to the corporate members website.

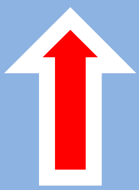
Principal risks and uncertainties (continued)

Principal Risk	Description	Key Mitigations	Progress
Cyber and data Impact compared to 2021:	Our data and systems are exposed to external threats such as hackers, malware or viruses. These could lead to data breaches or disruption to our operation. We may also be indirectly affected by similar incidents at our key system suppliers. The number and sophistication of incidents of cyber breaches globally continues to rise, creating risk to our ability to secure appropriate controls such as cyber insurance. We run several business systems that are internet based. These may attract the attention of threat actors who may wish to steal data or deny access to these systems. We may also be exposed to collateral damage if a key supplier or national infrastructure is compromised resulting in a loss or reduced service from that supplier. Globally cyber incidents are increasing year on year and this may impact our ability to secure cyber insurance at a reasonable cost, or even at all.	We manage information in compliance with relevant compliance and legal regulations including the Data Protection Act (2018). The Company reviews general data security regularly and invests in proportionate and appropriate resources, systems and processes to endeavour to ensure the security of its systems, its customer, card data, and its compliance with the regulatory requirements of both PCI DSS and data protection regulations. We have invested in cyber insurance to mitigate the consequences of major unforeseen or unavoidable service disruptions which might be caused by a cyber-related incident. We operate an ongoing information and cyber security programme of work that continually assesses our systems, controls, processes and cyber security awareness training against industry best practice and evolving threats. We invest in making the changes and improvements needed to ensure we continually strengthen our cyber security provisions.	We continued our business-wide phishing training testing and conducted two rounds of cyber awareness training. We continued to benchmark ourselves to the CIS self-assessment benchmark and use the results to inform future activity plans. We have recently transitioned to a new framework, NIST, and have completed our first transitional assessment. We will be externally assessed by cybersecurity experts annually. We successfully secured cyber insurance at the limits and deductibles we considered appropriate. We have also appointed an Incident Response and Recovery partner to provide expertise and support if a cyber incident should occur. We also developed our business incident management procedures, undertaking our first incident management test of a simulated cyber event. We plan to refine our testing and conduct a regular programme of testing in the future. We executed our ongoing information and cyber security programme for 2022 and defined the initiatives we will undertake in 2023 to further improve our security.

Principal risks and uncertainties (continued)

Principal Risk	Description	Key Mitigations	Progress
Loss of supplier or supplier business critical IT system Impact compared to 2021: 	Travelodge is reliant on third parties for services, and as such, is exposed to business interruption risks or going concern risks, this could impact our ability to trade. This risk could also crystalise through material business change projects that affect our suppliers or related business critical IT systems.	We maintain regular communications with existing key suppliers and review their business continuity and disaster recovery plans. Where possible we ensure contingency supply options are available if required. Business change, which affects our suppliers or the IT systems they provide is risk assessed and we will place appropriate governance, risk mitigation and programme assurance over the change where required.	We continued to monitor, review and engage with our key suppliers during 2022. In 2022, we completed the first stage of a business continuity management system framework, including a detailed review of our ability to react to any linen supply issues.
Macroeconomic Impact compared to 2021: 	The wider economy may suffer from adverse events which indirectly reduce the demand for our rooms or increase our costs, including pandemics, terrorism events, increases in inflation or interest rates or Brexit. Inflation particularly has increased generally but particularly with notable increases in the unit costs of both electricity and gas. The impact of the Ukraine conflict has contributed to this and could cause sustained inflationary pressures if not concluded in the short term. The cost of living crisis, driven by the high levels of inflation, has the potential to impact demand and consumer choices. While demand has the potential to reduce there is also the possibility consumers choose to trade down to budget operators. Increasing inflation has also caused increases in interest rates and further rates are possible in the future. These could continue to adversely impact our cost of borrowing and rent.	The Directors have reviewed the Group's financial projections for the foreseeable future, and in particular, the occupancy and rate forecasts which have been stress tested with plausible but pessimistic changes to those assumptions including macroeconomic shocks. The Company uses flexible energy contracts which allow the fixing of electricity and gas prices through the term of the contract. The prices were hedged through to spring 2023 prior to the recent price increases noted. We have renewed our energy contracts during Q1 2023 and hedged the majority of the year under a purchasing framework to minimise risk but maximise the opportunity of future price reductions.	During 2022 we continued to focus on cost management, including implementing procurement best practice, following the recruitment of a new procurement function. We also de-leveraged by over £100m, reducing the group interest costs as a result. Our existing interest rate cap expired in October 2022, which has not been renewed because of the high levels of volatility in the financial markets, we continue to keep this under review.

Principal risks and uncertainties (continued)

Principal Risk	Description	Key Mitigations	Progress
Sustainability and Climate Change Impact compared to 2021: 	Climate change, biodiversity depletion and environmental pollution present risks to the business from a financial, operational and reputational perspective. Regulatory action to manage climate change could result in the introduction of additional taxes or restrictions being imposed.	We published our first sustainability report in May 2022, the detail can be found in the 2021 annual report. Our sustainability plan, Better Future, sets out the 13 topics we have committed to focus on, together with key KPIs and our targets, and is covered under each the three pillars - Inclusive, Caring and Conscious. We monitor our sustainability agenda and associated risks and opportunities through steering groups covering each of these three pillars, chaired by various Operating Board members, which meet quarterly. In addition, the Sustainability Committee, chaired by one our non-executive directors, meets every six months to review our overall progress.	See the sustainability section of our report for further details of the progress we have made in 2022 in relation to sustainability and climate change.

Approved by the board of the directors and signed on its behalf by:

Jo Boydell
Chief Executive Officer

13 April 2023

Corporate Governance

For the year ended 31 December 2022, under the Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Wates Corporate Governance Principles for Large Private Companies ("the Wates principles").

There have been a number of governance changes during the year. The board was strengthened by the appointment of Helen Normoyle, as non-executive director on 1st January 2022. Helen Normoyle is a highly experienced marketeer with 30 years' experience in consumer marketing and market research across a range of sectors and geographies. Jonathan Ford stepped down from the board with effect from 1st January 2022. Ion Dagtoglou stepped down from the board on 28 September 2022.

On 16 May, 2022, Craig Bonnar, the Company's previous Chief Executive Officer resigned from the board due to ill health and Jo Boydell (former CFO) was appointed as the new Chief Executive Officer. To strengthen governance through the period until a new CFO appointment, Martin Robinson acted as Executive Chairman.

The board enhanced the Company's governance structure with the creation of a new board committee, the Sustainability Committee, to ensure the progress of our Better Future Plan is appropriately monitored.

Following the end of the 2022 financial year, Aidan Connolly has been appointed as Chief Financial Officer and a director of the Company from 3 April 2023. Aidan was previously CFO of My Travel, Sodexo, Worldpay, Wilko and, more recently, Alter Domus, an international business providing outsourced services to alternative asset managers, as well as holding CEO roles in several of these businesses.

The Wates principles and how Travelodge has applied these are summarised below:

Principle	How has Travelodge applied it
Principle One: **Purpose and Leadership** An effective board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.	At Travelodge, our purpose is to provide affordable travel for everyone, offering our customers the best balance of location, price and quality to suit their travel needs. Our strategy is to make Travelodge better for our key stakeholders, our customers, colleagues and investors, and for the future, underpinned by our Better Future sustainability strategy. Details of our progress can be found in the strategy report and sustainability section. We communicate our strategy to our teams at our annual conference, with the last conference in January 2023, and also through quarterly leadership events as well as through more regular senior leadership calls, support centre, and regional and district and maintenance meetings.
Principle Two: **Board Composition** Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.	The Group has a separate Chairman and Chief Executive to ensure that the balance of responsibilities, accountabilities and decision-making across the Group are effectively maintained. The Chairman is pivotal in creating the conditions for overall Board and individual director effectiveness. On 16 May 2022 our Chief Executive, Craig Bonnar stepped down and was replaced by Jo Boydell, formerly our Chief Financial Officer. The responsibilities of the vacant Chief Financial Officer role were assumed by senior members of the financial leadership team. In September 2022 Ion Dagtoglou resigned as an owner-appointed non-executive director from the board. Following the acquisition of Avenue's shareholding by funds managed by GoldenTree, in December 2022, Helen Normoyle has been re-appointed as an independent non-executive director. The Board comprises the Chairman, the Chief Executive Officer two non-executive directors and, from 3 April 2023, the newly-appointed Chief Financial Officer.

Corporate Governance (continued)

Principle	How has Travelodge applied it
	We consider that the current board represents an appropriate size and balance for the Company. However, in light of changing market conditions and our future growth plans, we expect an additional independent non-executive director during 2023. The Board is also committed to improving the diversity of our board as opportunities arise. The current board members possess an appropriate mix of skills, backgrounds, experience and knowledge, comprising hospitality, digital, marketing, finance, audit and sustainability, in addition to perspectives and challenges from outside the sectors in which we operate. All Directors of the Board have access to company secretarial advice and may, if they wish, take professional advice at the company's expense.
Principle Three: **Director Responsibilities** The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision- making and independent challenge.	Good governance supports open and fair business, ensures that the company has the right safeguards in place and makes certain that every decision it takes is underpinned by the right considerations. The Board meets a minimum of six times a year, with further meetings convened as necessary. The Board delegates authority for day-to-day management of the company to the Chief Executive Officer. Certain governance responsibilities are delegated to other committees (Audit, Investment and Sustainability) under a formal delegated authority framework approved by the Board. These committees include one or more Board Directors who support effective decision making. The Safety, Security and Risk committee reports into the Audit Committee and, through it, to the board. The Board receives regular, timely information on all key aspects of the business including health & safety, risks and opportunities, the financial performance of the business, strategy, sustainability, operational matters and market conditions, supported by specific Key Performance Indicators. Key financial information is collated from the Group's various accounting systems. The Group's financial function is appropriately qualified to ensure the integrity of this information and is responsible for remaining compliant with regulatory changes. Financial information is currently externally audited by PricewaterhouseCoopers LLP on an annual basis. During 2022 we appointed a head of internal audit and assurance to further expand our capability as we prepare to align ourselves to the expected requirements from the Business, Energy and Industrial Strategy ("BEIS") white paper 'Restoring trust in audit and corporate governance' which is expected to be formalised during 2023. In 2022, noting the importance of sustainability, the Board established a Sustainability Committee. The Sustainability Committee oversees our sustainability strategy, Better Future, including the Group's plans on environment and climate change.

Corporate Governance (continued)

Principle	How has Travelodge applied it
Principle Four: **Opportunity and Risk** A board should promote the long- term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks.	The Board seeks out opportunities whilst mitigating risk. Strategic opportunities are highlighted and discussed with the Board at each Group Strategy review, typically on an annual basis. Short term opportunities to improve performance are also reviewed in the normal course of business. The Audit Committee, consisting of the Lead Non-Executive Director (as chair) and one other Non-Executive Director, with the Company's external financial auditors and other Board and functional leads attending by invitation as appropriate, ensures that material risks both inherent and emerging are identified and managed appropriately. Oversight of the Company's risk management framework and processes is the responsibility of the Safety, Security and Risk Committee, chaired by the Chief Operating Officer and Chief Technology Officer and comprising other senior managers. The Safety, Security and Risk Committee meets monthly and reports to the Audit Committee on risk management and the Company's risk exposure. The Audit Committee meets every six months and continues to refine and improve the company's risk management framework and risk registers, working to ensure consistency across the functional areas of the company. The Strategic Report includes key risks that are monitored by the Audit Committee. During 2023 we will consider whether the frequency of these meetings remains appropriate. Further information on the responsibilities of the Audit Committee can be read on page 55. The principal risks and uncertainties facing the Group are set out on page 44. The company's systems and controls are designed to manage, rather than eliminate the risk of failure to achieve business objectives and will always provide reasonable and not absolute assurance against a risk crystallising. We note the 'Restoring trust in audit and corporate governance' white paper, which was issued in 2021 by BEIS (now the Department for Business and Trade) to ensure that the UK's audit and corporate reporting framework does all it should to safeguard the interests of investors and other stakeholders. We now expect the results of this white paper to be issued during 2023 and will carefully assess any consequences to the company upon issuance.
Principle Five: **Remuneration** A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks.	The Main Board is responsible for non-executive and executive director remuneration. The appointment and remuneration of the Chairman and the Chief Executive Officer are among the matters reserved for the Board. Other key reported metrics to the Board on an annual basis are Gender Pay Gap, pay reviews versus benchmark and CEO pay ratio to the Group.

Corporate Governance (continued)

Principle	How has Travelodge applied it
Principle Six: **Stakeholder Relationships and Engagement** Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.	Accountability and transparency with stakeholders are key to the long-term success of the Group. Travelodge considers its key stakeholders to be customers, colleagues, and investors, including shareholders, lenders, landlords and other creditors including key operational suppliers, local authorities and communities. Please refer to the sustainability section within the Strategic Report for a discussion of how we engage with each.

Approved by the Board of Directors and signed on behalf of the Board

Jo Boydell
Chief Executive Officer

13 April 2023

Audit Committee Report

The primary objective of the Audit Committee is to assist the Board in overseeing the systems of internal control and risk management of the Group and the external financial reporting of the Company. It performs this role by reviewing the internal control framework and ensuring that internal and external audit arrangements are appropriate and effective, compliance arrangements are appropriate and effective, potential for fraud and financial misstatement is minimised, and the annual report and financial statements are reviewed and scrutinised.

This report describes the responsibilities of the Audit Committee and how it has carried out those duties during the year ended 31 December 2022.

Principal responsibilities

Financial Reporting:
The Committee reviews the integrity of the financial statements of the Company, assessing the appropriateness of disclosures, ensuring that they are fair, balanced and understandable, and reviews and reports to the Board on significant financial reporting issues and judgements, having regard to the matters communicated to it by the Company's external Auditors.

Internal Controls and Risk Management Systems:
The Committee monitors and reviews the adequacy and effectiveness of the Group’s internal financial controls and internal control and risk management systems, ensuring that business risks are identified and managed appropriately. It reviews regular assurance reports from management, internal audit and external audit on matters relating to risk and control, and any corrective actions taken by management, and oversees the current risk exposure of the Group and future risk strategy on behalf of the Board.

Internal Audit:
The Committee monitors and reviews the effectiveness of the Group's internal audit function in the context of the Group's overall risk management system and assesses the annual internal audit work plan. The Committee ensures that the internal audit function has adequate resources and access to information to enable it to perform its function effectively and has unrestricted access to the Audit Committee.

External Audit:
The Committee considers and recommends to the board the appointment of the external Auditors, and oversees the relationship with them, including recommendations on remuneration and engagement. It assesses their independence and objectivity and effectiveness of the audit, reviews and approves the annual audit plan and reviews the findings of the audit with the external Auditors.

Compliance, Whistleblowing and Fraud:
The Committee reviews the adequacy and security of the Group's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. It also reviews the Group’s procedures for detecting fraud and reviews the Group’s systems and controls for the prevention of bribery and anti-money laundering.

Committee membership

There are two members of the Audit Committee; Stephen Shurrock (Chair), and Helen Normoyle, both of whom are non-executive directors. Stephen Shurrock is a CIMA qualified accountant and spent over 10 years in various accounting roles from reporting, controlling and as an FD. More recently Stephen Shurrock has served as CCO and CEO in a number of Telecoms and software businesses. He is currently CEO of Lebara Group, a value based mobile telecoms operator across Europe.

The Chairman, CEO, CFO, external Auditor (PwC), and selected members of the senior management team are also invited to attend the meetings, to ensure that the Committee maintains a current and well-informed view of events within the business and to reinforce a strong risk management culture.

There were two meetings held during 2022 aligned with the financial reporting timetable. Outside the formal meetings the committee chair will maintain dialogue through the year with the Company Chair, CEO, CFO and senior finance team including risk & compliance, external Auditor and General Counsel.

Audit Committee Report (continued)

2022 Key Activities

- Reviewed and challenged the Going Concern basis of preparation in advance of approval by the Board
- Reviewed and recommended approval of the financial statements
- Reviewed the upcoming requirement for TCFD disclosures
- Reviewed and discussed the government response and proposals regarding the BEIS consultation, in particular the impact on Travelodge
- Discussion of our principal risks and uncertainties, and in particular in 2022, the impact of the conflict in Ukraine, inflation and cyber risk
- Reviewed and approved the internal audit plan, and received regular updates on internal controls
- Reviewed and approved the tax strategy for publication
- Reviewed the treasury policy in light of changing liquidity levels post pandemic

Significant matters considered in relation to the 2022 Financial Statements

Non-underlying items
The Committee challenged the appropriateness of the non-underlying items, giving consideration to the nature and significance of each item. It was concluded that the items met the criteria, being significant in nature and quantum, not in the normal course of business, or consistent with items that were treated as non-underlying in prior periods.

Alternative Performance Measures
The Group uses a range of APMs to ensure that the readers of the financial statements understand the relative performance of the business in the metrics that have been historically used and are built into various agreements relevant to stakeholders (CVA, bond agreements, banking facilities). The Committee challenged the continued appropriateness of the use of APMs and concluded that as the metrics were limited to those of specific interest to stakeholder groups, and were sufficiently reconciled to statutory measures, the usage and related disclosure was appropriate.

Right of use asset and lease liability estimates (IFRS 16)
The discount rates (incremental borrowing rates) used in the application of IFRS16 are a significant estimate and therefore subject to risk. Given the material impact on the accounts, the Committee specifically reviewed and challenged management's approach.

Going Concern
The Audit Committee recommended to the board the approval of the financial statements on a Going Concern basis.

Share Based Payments
Given the introduction of the Management Incentive Plan and the associated accounting for Share Based Payments under IFRS 2 in the 2022 accounts, the Committee reviewed and challenged the judgements and estimates (being the vesting period, the non-recognition of a liability for the cash settled element of the scheme and the estimates used in the valuation) and concluded them to be appropriate in the calculation of the resulting charge.

Impairment
The Committee challenged the estimates used to determine the value in use of assets and their recoverable amount, and concluded them to be appropriate, taking into account the sensitivity of the estimates.
The judgement not to reverse any prior period impairments was also considered and concluded that the approach to secure a 3 year window of consistent profit growth to reverse previous impairments was appropriate.

External auditors and effectiveness of External Audit

PwC are the external Auditors for the Group. During 2022 the audit partner rotated in line with rotation requirements.

The effectiveness of the external audit was considered by the Audit Committee during the year, including the degree of challenge regarding key estimates and judgements made by the business, feedback from internal management teams, and the wider quality of communication with the Committee. In addition, the Committee reviewed the External Audit Planning document prepared by PwC in advance of the 2022 audit, and concluded that the overall approach, materiality and areas of focus were appropriate to the business and the team possessed the necessary quality, expertise and experience to provide an independent and objective audit.

PwC were first appointed Auditors for the Group in 2008. The Audit Committee considers that the relationship with PwC is working well and is satisfied with its independence, objectivity and effectiveness. The Audit Committee is monitoring, and will comply with, the BEIS proposals in terms of regulatory requirements for frequency of audit tenders.

Approach to safeguarding Objectivity and Independence if Non-Audit Services are provided

Audit Committee Report (continued)

The Audit Committee has established a policy to ensure that any non-audit services delivered by the external Auditors will not jeopardise objectivity and independence. The policy specifies that the external Auditors can be used to provide non-audit services which are in line with the policy, subject to formal approval by the Audit Committee. Any non-audit work will only be approved if it is clear why the external Auditors are involved and how objectivity and independence has been safeguarded.

In addition, the external Auditors follows their own ethical guidelines and continually reviews their audit team to ensure that their independence is not compromised.

Role and effectiveness of internal audit

The Internal Audit function provides independent assurance through reviewing the risk management processes and internal controls established by management.

The Audit Committee monitors and reviews the scope, extent and effectiveness of our internal audit function. The main focus areas for internal audit during the year included:

- Processes supporting our health and safety
- Processes supporting the security of our customers and colleagues including cyber,
- financial control at our hotels including payroll, food and beverage; and
- processes supporting our central finance teams.

Internal control and Risk Management

Principle 4 of Wates (page 53) describes the role the Audit Committee plays in risk management within the Group. Specialist resources for internal controls and assurance have been secured in 2022 and the Committee has received regular updates with regard to the continued strengthening of the control framework of the Group in advance of the anticipated implications arising from the BEIS proposals.

Board of Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were as follows:

Martin Robinson (Chairman)
Martin Robinson was appointed as a director and Chairman on 25 March 2021.

Martin Robinson is also Chairman of Burger King UK, Parkdean Resorts, Inspiring Learning, and a Director of Majid Al Futtaim Ventures.

He previously chaired Center Parcs in the UK and Europe, as well as Wagamama, Casual Dining Group and Holmes Place Health Clubs. He has sat on the Boards of Disneyland Paris, Regus plc, Perry's, QCNS and Duke Street Capital.

Martin Robinson holds a Masters degree in Geography from Oxford University.

Jo Boydell (Chief Executive Officer)
Jo Boydell was appointed as a director on 19 March 2013 and became Chief Executive Officer of Travelodge on 16 May 2022. Jo Boydell joined Travelodge in March 2013 as Chief Financial Officer, and has broad based finance experience in hospitality, leisure and retail. Jo held senior positions with Hilton Group plc, Ladbrokes plc and the EMI Group and was Finance Director at Mothercare and Snap Equity Ltd, the parent company of Jessops.

Jo Boydell is a Chartered Accountant and holds an Honours degree in Physics from Oxford University.

Jo Boydell joined DFS Furniture plc in December 2018 as an Independent Non-Executive Director and became Chair of their Audit Committee on 1 April 2019.

Stephen Shurrock (Senior Non-Executive Director, representing GoldenTree Asset Management LP, and Chair of Audit Committee)
Stephen Shurrock was appointed as a director on 30 January 2014 and chairs the Audit Committee. As CEO of Lebara Group, Stephen Shurrock is responsible for the operations across the Group and leading a team to deliver great value mobile services to its millions of customers. Lebara operates across a number of European countries and in the Middle East.

Prior to joining Lebara, Stephen Shurrock was Chief Commercial Officer of Travelport where he led Travelport's customer focused teams in Air, Agency, Hospitality and Digital Media. Travelport operates a Travel commerce platform across the world. Prior to this, Stephen Shurrock worked in the mobile telecoms sector for 15 years at O2/Telefonica. Here he was the Chief Executive Officer of its consumer division across Europe and Latin America and focused on growing its digital businesses. Prior to that, he was the Chief Executive Officer of O2 Ireland and the Sales Director of O2UK.

Helen Normoyle (Non-Executive Director, Sustainability Committee chair and Audit Committee member)
Helen Normoyle was appointed as a director on 1 January 2022. Following the acquisition of Avenue's shareholding by funds managed by GoldenTree on 23 December 2022, Helen Normoyle has been re-appointed as an independent non-executive director.

Helen Normoyle is a highly experienced marketeer with 30 years' experience in consumer marketing and market research across a range of sectors and geographies. A graduate of the University of Limerick, she started her career with Infratest+GfK, based in Germany. From there she moved to Motorola, where she held a range of roles including Director of Global Consumer Insights and Product Marketing and Director of Marketing. After working in broadcast and telecoms regulation at Ofcom as the Director of Market Research, she held Marketing Director and Chief Marketing Officer roles at the BBC, DFS, Countrywide and Boots, where she was also the Chair and Director of the Boots Charitable Trust. Helen Normoyle is the co-founder of My Menopause Centre and a non-executive director on the Board of AIB (Allied Irish Banks).

Aidan Connolly (Chief Financial Officer)
Aidan Connolly was appointed as Chief Financial Officer and a director of the Company from 3 April 2023. Aidan was previously CFO of My Travel, Sodexo, Worldpay, Wilko and, more recently, Alter Domus, an international business providing outsourced services to alternative asset managers, as well as holding CEO roles in several of these businesses.

Aidan Connolly joined Goji Investments in June 2021 and remains an Independent Non-Executive Director there.

The following persons were directors of the company for part of the year but are no longer directors:

Craig Bonnar (Chief Executive Officer)
Craig Bonnar was appointed as a director on 31 December 2020 and resigned on 16 May 2022.

Board of Directors (continued)

Ion Dagtoglou (Non-Executive Director, employed by and representing Goldman Sachs)
Ion Dagtoglou was appointed as a director on 25 March 2021 and resigned on 28 September 2022.

Jonathan Ford (Non-Executive Director, employed by and representing Avenue Capital Group)
Jonathan Ford was appointed as a director on 10 October 2012 and resigned on 1 January 2022.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors present the Directors' Report for the audited consolidated financial statements for Thame and London Limited for the year ended 31 December 2022.

Directors
The directors of the company who were in office during the year and up to the date of signing the financial statements are set out on pages 58 to 59.

Results
Results for the Group are for the full year ended 31 December 2022, with comparatives for the full year ended 31 December 2021.

For 2022, the Group made EBITDA (adjusted)(1) Profit of £212.9m (2021: £81.1m), Operating Profit of £263.6m (2021: £145.0m) and a Loss Before Tax of £0.5m (2021: Loss of £102.2m).

Ownership
At 31 December 2022, the Directors regarded Anchor Holdings SCA Luxembourg as the ultimate controlling party.

In December 2022, Avenue Capital Group sold its shareholding to funds managed by GoldenTree Asset Management LP.

In March 2023, Goldman Sachs Group, Inc. also sold its shareholding to funds managed by GoldenTree Asset Management LP. The Company is therefore currently majority owned indirectly by funds managed by GoldenTree Asset Management LP. A minority stake is held by certain senior managers under the Management Incentive Plan.

GoldenTree Asset Management LP is a global asset management firm that specialises in opportunities across the credit universe in sectors such as high yield bonds, leveraged loans, distressed debt, structured products, emerging markets, private equity and credit-themed equities. The firm was founded in 2000 with offices in New York, West Palm Beach, London, Singapore, Sydney, Tokyo, Dubai and Dublin, and has approximately $47 billion in assets under management.

The Goldman Sachs Group, Inc is a leading global investment banking, securities and investment management firm that provides a wide range of financial services to a substantial and diversified client base. Founded in 1869, the firm is headquartered in New York and maintains offices in all major financial centres around the world.

Statement of Corporate Governance Arrangements
For the year ended 31 December 2022, under the Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Wates Corporate Governance Principles for Large Private Companies.

The strategic report discusses the Group's corporate governance arrangements in the section "Corporate Governance" on pages 51 to 54.

Statement with respect to Employee Engagement
The strategic report discusses the Group's approach with respect to employee engagement in the section entitled "Stakeholder Engagement" on page 54 and further clarity is provided as part of the discussion with respect to the application of Principle 6 of the adopted Wates principles on corporate governance in the section "Corporate Governance" on pages 51 to 54.

Statement with respect to Business Relationships
The strategic report discusses the Group's approach toward individual stakeholders and further clarity provided as part of the section entitled "Stakeholder Engagement" on page 54.

Currency
The majority of the Group's revenue is earned in sterling. The majority of the Group's costs are paid in sterling.

Insurance
The Group maintains qualifying third party indemnity insurance in respect of Directors and Officers against any such liabilities as referred to in Section 234 of the Companies Act 2006.

(1) EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation, and before rent phasing adjustment, non-underlying items and reflective of the position in line with historic accounting principles (before IFRS 16). This measure reflects the rent reductions following the CVA which completed on 19 June 2020, recognised in line with the cash benefit. Non-underlying items have been removed as they are related to items that are considered to be significant in nature and quantum, and not in the normal course of business.

Going concern
The strategic report discusses the Group's assessment of the appropriateness of the going concern assumption on pages 21 to 22.

Future developments
Commentary in respect of likely future developments in the business has been included in the Outlook section of the Chief Executive Officer's report on page 4 and in the assessment of the going concern assumption on pages 21 to 22.

Taxation
The underlying current tax charge for 2022 of £0.3m (2021: tax credit £0.2m) breaks down between a current tax charge of £1.0m (2021: £nil) and a deferred tax credit of £0.7m (2021: £0.2m).

There was a non-underlying tax credit of £0.1m for 2022 (2021: £4.0m) in respect of the release of unutilised provision for the estimated liability arising from settlement of an ongoing HMRC enquiry into prior periods.

Non-underlying cash tax payments of £3.6m were made during the year ended 31 December 2022 in resolution of an HMRC tax enquiry, which had been previously provided for (2021: £0.4m refund).

Dividend
The Directors do not recommend the payment of a dividend.

Independent Auditors
During the year the Directors reappointed PricewaterhouseCoopers LLP as auditors of the Group.

Approved by the Board of Directors and signed on behalf of the Board

Jo Boydell
Chief Executive Officer

13 April 2023

OFFICERS AND PROFESSIONAL ADVISORS
FOR THE YEAR ENDED 31 DECEMBER 2022

DIRECTORS

Craig Bonnar (resigned 16 May 2022)
Jo Boydell
Helen Normoyle (appointed 1 January 2022)
Martin Robinson
Stephen Shurrock
Jonathan Ford (resigned 1 January 2022)
Ion Dagtoglou (resigned 28 September 2022)

Aidan Connolly (following the year end, appointed 3 April 2023)

COMPANY SECRETARIES

Jo Boydell
Katherine Thomas

REGISTERED OFFICE

Sleepy Hollow
Aylesbury Road
Thame
Oxfordshire
OX9 3AT

BANKERS

Barclays PLC
1 Churchill Place
London
E14 5HP

SOLICITORS

Addleshaw Goddard
Milton Gate
60 Chiswell Street
London
EC1Y 4AG

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

The directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with UK-adopted international accounting standards and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” Section 1A, and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 102 Section 1A have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group’s and company’s transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the company’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors’ confirmations

In the case of each director in office at the date the directors’ report is approved:

- so far as the director is aware, there is no relevant audit information of which the group’s and company’s auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group’s and company’s auditors are aware of that information.

Approved by the Board of Directors and signed on behalf of the Board

Jo Boydell
Chief Executive Officer

13 April 2023

Independent auditors' report to the members of Thame and London Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- Thame and London Limited's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated and Parent Company Balance Sheets as at 31 December 2022; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement and the Consolidated and Parent Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Audit scope

- The scope of our work was focussed on the UK trade in the main trading entity Travelodge Hotels Limited.
- Substantive procedures were also performed over all of the material balances of the Parent Company.

Key audit matters

- Errors and estimates in the right of use assets and lease liabilities (group)
- Recoverability of the amounts owed by group undertakings (parent company)

Materiality

- Overall group materiality: £4,550,000 (2021: £2,750,000) based on 0.5% (2021: 0.5%) of Consolidated revenue (2021: Consolidated revenue).
- Overall parent company materiality: £2,099,000 (2021: £1,800,000) based on 1% (2021: 1%) of Total Liabilities (2021: Total Liabilities).
- Performance materiality: £3,410,000 (2021: £2,060,000) (group) and £1,574,000 (2021: £1,300,000) (parent company).

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The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Errors and estimates in the right of use assets and lease liabilities (Group)	
Refer to the accounting policy in note 2.8, the critical accounting estimates in note 3, and notes 16 and 19 for the Right of Use (ROU) asset and lease liability disclosure respectively. The Group has £2,198.9m of ROU assets and £2,539.3m of Lease Liabilities as at 31 December 2022. Our audit effort is focused on two areas: <u>Estimates</u> The audit risk in this area relates mainly to the validity of the estimates and judgements used in the valuation of the assets and liabilities relating to new leases, which may be incorrectly accounted for. The key estimate is considered to be the discount rate (incremental borrowing rate) that is applied to new leases. <u>Risk of error</u> The Group has a high number of lease modifications and remeasurements due to the periodic rent reviews and new additions in the year. In addition, during the year the lease model transitioned from a manually maintained spreadsheets basis to an IFRS 16 system (ReportWise). The volume of changes, together with the system transition during the year, increases the risk of error in the accuracy of the lease calculations this year.	In assessing these risks we performed the following procedures: <u>Estimates and judgements</u> • Used our valuations specialists to assess the discount rate used to calculate the lease liabilities arising on new leases and from changes due to lease modifications; • Evaluated the appropriateness of management's disclosures in relation to estimates and key judgements. <u>Risk of error</u> • Reconciled the data in ReportWise to the audited prior year lease model after adjusting for current year movements such as additions and disposals to gain comfort over completeness; • Tested the accuracy of the input data points for a sample of lease additions, rent reviews, adjustments and disposals and agreed these to the signed lease documents; • Reperformed a sample of the ROU asset and lease liability calculation and compared our results to the lease workings; • Recalculated the related depreciation and finance costs; • Tested the payments made in the year to cash; and, • Tested a sample of manual journals in relation to leases.

Report on the audit of the financial statements (continued)

Key audit matter	How our audit addressed the key audit matter
	Based on the evidence obtained, we are satisfied that the key judgements and estimates relating to the right of use of assets and lease liabilities and the associated disclosures are supportable. We have also not identified any material unadjusted errors.
Recoverability of the amounts owed by group undertakings (Parent Company) Refer to the accounting policy in note 2 and note 4 of the Parent Company financial statements for management's disclosure. At the balance sheet date, the Company has amounts recoverable of £206.9m from other group undertakings (2021: £186.6m). We have focused our testing on the recoverability of this balance given this is a significant balance in the Parent Company financial statements. The carrying amount of the Parent Company's debtors represents 100% of the Parent Company's total assets (2021: 100%). Management performed an impairment review over the recoverability of the loan, where they determined that no objective evidence of impairment existed.	Our audit procedures performed included assessing management's view of the recoverability of the amounts owed by group undertakings to understand the impairment risk of the receivables in compliance with FRS 102. Based on the work performed, we did not identify any material misstatements relating to the recoverability of the carrying value of receivables from group undertakings at the balance sheet date.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the parent company, the accounting processes and controls, and the industry in which they operate.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the Financial Statements as a whole, taking into account the structure of the Group and the Parent Company, the accounting processes and controls and the industry in which they operate. We have obtained 98% coverage on Consolidated Revenue and 99% on Consolidated Profit before Tax.

The scope of our work was focussed on the UK trade in the main trading entity Travelodge Hotels Limited.

The audit team also performed substantive procedures over all of the material balances of the Parent Company.

The impact of climate risk on our audit

In planning our work, we were mindful of the increased focus on the impacts of climate change risk on the companies and their financial reporting. As part of our audit we made enquiries of management to understand the process adopted to assess the extent of the potential impact of climate change on the Group's financial statements. The Directors consider that the impact of climate change does not give rise to a material financial statement impact. We used our knowledge of the Group to evaluate the Directors' assessment. We particularly considered how climate change risks could impact the assumptions made in the forecasts prepared by management and used in their impairment and going concern assessments. We also considered the consistency of the disclosures in relation to climate change made in the other information within the Annual Report with the financial statements and our knowledge from our audit. Our procedures did not identify any material impact as a result of climate risk on the Group and parent company's financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - group	Financial statements - parent company
Overall materiality	£4,550,000 (2021: £2,750,000).	£2,099,000 (2021: £1,800,000).
How we determined it	0.5% (2021: 0.5%) of Consolidated revenue (2021: Consolidated revenue)	1% (2021: 1%) of Total Liabilities (2021: Total Liabilities)
Rationale for benchmark applied	Due to the impact of the pandemic, profits/losses are fluctuating year-on-year. We therefore consider revenue to give a more consistent measure of underlying performance of the group. We consider the benchmark of 0.5% of revenue to be appropriate for the current year.	We believe that total liabilities is the key performance benchmark of the parent company, as it is a holding company for the group and does not trade.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £2,099,000 and £4,550,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £3,410,000 (2021: £2,060,000) for the group financial statements and £1,574,000 (2021: £1,300,000) for the parent company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £227,000 (group audit) (2021: £137,000) and £227,000 (parent company audit) (2021: £93,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

- Critically assessing the assumptions within the models including; assessing the historical accuracy of management's forecasts and obtained corroborating evidence for the assumptions used including forecast RevPAR;
- Evaluating the directors' assessment of the continuous demand for hotel accommodation, the potential impact of inflation, rising costs of living, energy costs and the ability of the Group to manage costs, agreeing to evidence where available and ensuring they align to our understanding of the business;
- Obtaining and reviewed the Group's financing agreements;
- Performing independent sensitivity analyses to the severe but plausible case to assess the impact on liquidity headroom; and

Independent auditors' report to the members of Thame and London Limited

Report on the audit of the financial statements (continued)

- Confirming that consistent approaches to going concern, impairment and other key areas of estimation assumptions have been used.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the parent company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Financial Statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditors' report to the members of Thame and London Limited

Report on the audit of the financial statements (continued)

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to Health and safety regulations and Data Protection legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Taxation legislation, the Companies Act 2006, VAT legislation and Employment legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate reported results and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Evaluating management's controls designed to prevent and detect irregularities;
- Making enquiries with management, including consideration of known or suspected instances of non-compliance with laws and regulations;
- Challenging assumptions and judgements made by management in significant accounting estimates;
- Reviewing Board meeting and other minutes to identify any non-compliance; and
- Identifying and testing unusual journals posted to revenue.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report. In our engagement letter, we also agreed to describe our audit approach, including communicating key audit matters.

Independent auditors' report to the members of Thame and London Limited

Report on the audit of the financial statements (continued)

Use of this report

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Diane Walmsley (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

13 April 2023

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

		2022			2021		
	Note(s)	Underlying £m	Non-underlying £m	Total £m	Underlying £m	Non-underlying £m	Total £m
Revenue	4	909.9	0.9	910.8	559.8	6.9	566.7
Operating (expenses)/income	6, 8	(462.3)	(8.4)	(470.7)	(300.2)	3.3	(296.9)
Rent	6	3.4	(13.4)	(10.0)	4.2	-	4.2
Other Income	6, 7	0.6	-	0.6	0.6	-	0.6
Depreciation, Amortisation & Impairment	6, 8	(158.0)	-	(158.0)	(149.6)	(0.3)	(149.9)
(Loss)/Profit on disposal of fixed assets	8	(7.2)	(1.9)	(9.1)	-	20.3	20.3
Operating Profit / (Loss)	4	286.4	(22.8)	263.6	114.8	30.2	145.0
Finance Costs	8, 11	(262.7)	(3.3)	(266.0)	(247.4)	-	(247.4)
Finance Income	10	1.9	-	1.9	0.2	-	0.2
Profit / (Loss) before Tax	4	25.6	(26.1)	(0.5)	(132.4)	30.2	(102.2)
Income Tax	12	(0.3)	0.1	(0.2)	0.2	(4.0)	(3.8)
Profit / (Loss) for the year		25.3	(26.0)	(0.7)	(132.2)	26.2	(106.0)

Non-underlying items are detailed as they relate to items that are considered to be significant in nature and quantum, and not in the normal course of business. See Note 8 for details (page 87).

The Glossary on pages 119 to 127 provides further detailed reconciliation of the above measures to the alternative performance measures.

Memorandum - EBITDA (adjusted)(2)

	2022 £m	2021 £m
Underlying Operating Profit	286.4	114.8
Add back underlying depreciation & amortisation	158.0	149.6
Add back underlying loss (accelerated depreciation) on disposal of fixed assets	7.2	-
Rent payable adjustment(1)	(238.7)	(183.3)
EBITDA (adjusted)(2)	212.9	81.1

(1) Since the adoption of IFRS 16, operating lease rent is no longer charged to the statutory profit & loss account. The rent payable adjustment reflects actual rent expense incurred during the year on a pre IFRS 16 basis, and before the rent phasing adjustment. Rent expense is adjusted so that the rent reductions agreed during the CVA (for 2020 and 2021) are recognised in the year in which the benefit occurred (in order to more closely reflect cash payments), and the benefit of rent free periods agreed in the ordinary course of rent negotiation are spread on a straight line basis until the next rent review.

(2) EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation and non-underlying items, on a pre-IFRS 16 basis, and before rent phasing adjustment. In this measure, the rent reductions agreed during the CVA (for 2020 and 2021) are recognised in the year in which the benefit occurred (in order to closely reflect cash payments), and the benefit of rent free periods agreed in the ordinary course of rent negotiation, are spread on a straight line basis until the next rent review (normally five years from initial agreement). Non underlying items have been removed as they relate items that are considered to be significant in nature and quantum, and not in the normal course of business. The calculation for this measure is consistent with prior years. See APM glossary pages 119-127 for further details and statutory reconciliations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	£m	£m
Loss for the year	(0.7)	(106.0)
Items that will subsequently be reclassified into profit and loss:		
Currency translation differences	(0.1)	-
Total other comprehensive income for the year, net of tax	(0.1)	-
Total comprehensive expense for the year	(0.8)	(106.0)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Share Capital	Other Reserves	Foreign Exchange Reserve	Accumulated Losses	Total Equity
	£m	£m	£m	£m	£m
At 1 January 2022	-	-	-	(754.3)	(754.3)
Loss for the year	-	-	-	(0.7)	(0.7)
Other comprehensive expense					
Currency translation differences	-	-	(0.1)	-	(0.1)
Total comprehensive income/(expense)	**-**	-	(0.1)	(0.7)	(0.8)
Transactions with owners					
Recognition of share-based payments (note 23)	-	5.7	-	-	5.7
Total Transactions with owners	**-**	5.7	-	-	5.7
At 31 December 2022	**-**	5.7	(0.1)	(755.0)	(749.4)

For the year ended 31 December 2021

	Share Capital	Other Reserves	Foreign Exchange Reserve	Accumulated Losses	Total Equity
	£m	£m	£m	£m	£m
At 1 January 2021	-	-	-	(648.3)	(648.3)
Loss for the year	-	-	-	(106.0)	(106.0)
Other comprehensive income					
Currency translation differences	-	-	-	-	-
Total comprehensive expense	-	-	-	(106.0)	(106.0)
At 31 December 2021	-	-	-	(754.3)	(754.3)

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 £m	2021 £m
NON CURRENT ASSETS			
Intangible assets	14	154.3	154.2
Property, plant and equipment	15	120.6	102.5
Right of use assets	16	2,198.9	2,117.0
Net deferred tax asset	21	4.7	3.7
		2,478.5	2,377.4
CURRENT ASSETS			
Financial derivative asset		-	0.1
Inventory		1.7	1.3
Trade and other receivables	17	26.6	24.7
Cash and cash equivalents		154.2	142.8
		182.5	168.9
TOTAL ASSETS		2,661.0	2,546.3
CURRENT LIABILITIES			
Trade and other payables	18	(161.6)	(105.8)
Lease liabilities	19	(46.5)	(46.9)
Provisions	22	(1.2)	(5.6)
Super senior term loan	20	-	(1.9)
		(209.3)	(160.2)
NON- CURRENT LIABILITIES			
Senior secured bond related debt	20	(499.5)	(497.1)
Revolving credit facility	20	-	(40.0)
Super senior term loan	20	-	(58.5)
Investor loan	20	(206.9)	(186.6)
Lease liabilities	19	(2,492.8)	(2,355.8)
Provisions	22	(1.9)	(2.4)
		(3,201.1)	(3,140.4)
TOTAL LIABILITIES		(3,410.4)	(3,300.6)
NET LIABILITIES		(749.4)	(754.3)
EQUITY			
Share capital	24	-	-
Reserves	23	5.7	-
Foreign exchange reserve		(0.1)	-
Accumulated losses		(755.0)	(754.3)
TOTAL EQUITY		(749.4)	(754.3)

These financial statements on pages 71 to 73 were approved by the Board of Directors and signed on their behalf by:

Aidan Connolly
Director

13 April 2023

Thame and London Limited — Company registration number 08170768

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	£m	£m
CASH GENERATED FROM OPERATING ACTIVITIES (Note 27)	483.2	276.6
Corporate tax	(3.6)	0.4
Net cash generated from operating activities	479.6	277.0
INVESTING ACTIVITIES		
Interest received	1.8	-
Proceeds on disposal of assets	-	-
Purchases of property, plant and equipment and intangible assets	(74.8)	(34.4)
Net cash used in investing activities	(73.0)	(34.4)
FINANCING ACTIVITIES		
Finance fees paid	-	(0.2)
Interest paid	(42.7)	(35.6)
IFRS 16 lease rental capital payments	(52.9)	(25.7)
IFRS 16 lease rental interest payments	(194.4)	(173.1)
Issue of fixed and floating rate bonds	-	-
Finance issue transaction costs	(3.3)	(1.4)
Investor loan proceeds	-	-
Repayment of revolving credit facility	(40.0)	-
Repayment of Super Senior Term Loan	(61.9)	-
Net cash from financing activities	(395.2)	(236.0)
Net increase in aggregate cash and cash equivalents	11.4	6.6
Cash and cash equivalents at beginning of the year	142.8	136.2
Cash and cash equivalents at end of the year	154.2	142.8

The Glossary on pages 119 to 127 demonstrates the reconciliation of the above measures to the alternative performance measures.

1 GENERAL INFORMATION

Thame and London Limited, formerly Anchor UK Bidco Limited ("the Company") is a private company limited by share capital and was incorporated in the United Kingdom on 7th August 2012. The Company changed its name from Anchor UK Bidco Limited on 23rd May 2013. The Company is domiciled in the UK. The address of its registered office and principal place of business are disclosed in the Officers and Professional Advisors page on page 62. The Company acquired the Travelodge Hotels Limited business on 12th October 2012. The principal activities of the parent Company and its subsidiaries (together "the Group") are disclosed in the Directors' report.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Going concern

In assessing the appropriateness of the going concern assumption, the Board has considered the possible cash requirements of the Group and Company to the end of 2024, taking into account the impact of the pandemic, current economic and political pressures the range of trading outcomes and mitigating actions which could be taken.

Availability of funding

There are currently no drawings under the Group's existing £40m revolving credit facility ("RCF").

Under the revised covenant terms, the Group's existing springing covenant requirements, which apply if drawings under the RCF are £32m or more, are not tested and have been replaced with maintenance covenants for 31 March 2023 to 30 June 2023, comprising stepped quarterly net leverage tests and minimum liquidity covenants, after which the business returns back to the previous quarterly springing net leverage covenant tests, the first of which would be on 30 September 2023. We are in active discussions with the RCF and Letter of Credit lenders regarding a six-month extension to January 2025 and our scenarios assume the extension is agreed following feedback from the lenders, noting neither scenario requires drawing on the RCF.

Base case scenario

Our base case forecast, to the end of 2024, reflects the normalisation of the Q1 2022 impact from the Omicron work from home guidance, continued recovery in Central London demand expected to be supported by the weak pound and inbound tourism, and moderate growth elsewhere. Our base case forecast RevPAR is broadly in line with the latest available external forecasts, with LfL RevPAR across 2023 marginally ahead of 2022 levels, with total revenue benefiting from new openings since 2022.

Our most significant cost is rent, with each lease reviewed on a five-yearly cycle in line with the relevant inflationary uplift, typically RPI or CPI. We have subsequently completed a lease regear with LXI on 27 January, inserting caps and collars of 4% pa and 1% pa into 97 of the 122 leases that were previously uncapped and uncollared RPI rent reviews, giving increased certainty over rent costs. The remaining leases, subject to obtaining superior landlord consent, are expected to complete in quarter two. Other costs include wages, impacted by the National Living Wage, and are assumed to increase in line with the forecasts published by the Office for Budget Responsibility, with supply costs increased in line with inflation or specific supply chain increases. Our energy costs are fixed at pre-crisis levels until March 2023 and since preparing our base case we have hedged a significant proportion of 2023 forecast energy volumes at favourable prices compared to the base case scenario.

We consider the base case to be reflective of the range of outcomes we face and there are also a number of potential upsides and mitigations that have not been included, such as the potential for additional demand as a result of customers trading down to the budget segment, staycation demand, events, changes in working patterns and inbound demand.

Under this base case scenario, the Group is expected to continue to have significant headroom relative to the total funding available to it and to comply with banking covenants where applicable.

Severe but plausible downside scenarios

Our performance could be influenced by the macro-economic uncertainty, including the cost of living crisis, and its potential impact on demand and consumer choices. Whilst there are a number of positive demand drivers the Board has therefore considered a severe but plausible downside scenario, considering a significant decline in RevPAR and higher inflation than the base case.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Going concern (continued)

Our base case assumes small RevPAR growth vs 2022. The severe scenario assumes 2023 declines vs 2022 by 3%, approximately half the decline seen by the Midscale & Economy segment during the Global Financial Crisis, when the UK economy contracted by significantly more than is forecast for 2023. The 3% reduction is assumed to materialise through a drop in rate, with minimal upside due to cost savings assumed. As such, the impact on EBITDA is a c. 30% decline from the base case.

Our base forecasts already includes higher inflationary increases across the supply chain and contractually agreed costs for a number of significant supplies. Under our severe but plausible scenario, we consider the impact in the event that RPI and CPI were 2 % points higher than our base forecast 2023. The most significant cost impacted by higher inflation, in addition to the base forecast, is rent. Each lease is reviewed on a five-yearly cycle and this review cycle for the estate is broadly spread evenly over a five-year period, the impact against the base case to the end of 2024 as a result of higher inflation is therefore limited.

In this severe but plausible downside scenario and before potential mitigation which could reasonably be expected to be available, the group retains significant liquidity and complies with banking covenants.

Conclusion

Based on the above, taking account of current trading performance, reasonably possible changes in trading performance, the directors believe that it remains appropriate to adopt the going concern basis in preparing the consolidated financial statements.

2.2 Basis of Accounting

The consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to the Group reporting under those standards as at 31 December 2022.

The consolidated financial statements have been prepared under the historical cost convention modified by the revaluation of financial assets and financial liabilities held at fair value through profit and loss. The principal accounting policies adopted have been consistently applied throughout the year and across the Group and are set out below.

The preparation of financial statements in conformity with UK-adopted IAS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The Group's exposure to interest rate risk, credit risk, liquidity risk, currency risk and capital risk is discussed in note 20.

2.3 New and Amended standards that are not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting years and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting years.

2.4 Basis of consolidation

The consolidated financial statements consolidate the financial statements of the Group and entities controlled by the Group and its subsidiaries up to 31 December 2022. Control is achieved when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Uniform accounting policies are adopted across the Group.

The results of subsidiary undertakings acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or disposal, as appropriate.

All intra-Group transaction balances, income and expenses are eliminated on consolidation.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Revenue recognition

The Group's principal performance obligation is to provide budget hotel accommodation and other goods and services to guests. Revenue includes rooms revenue and food and beverage sales, which is recognised when the guests stay, net of trade discount and VAT. When payment is received at the time of room booking, prior to arrival date, a liability for prepaid room purchases is recognised and held on the balance sheet as a contract liability. Revenue is recognised when the customer stays. A proportion of the prepaid room purchases would be non-refundable on cancellation of the room booking, with revenue being recognised once the booking is cancelled or the stay date passes.

Note 4 discloses the disaggregated revenues of the Group, detailing the revenue from hotel accommodation and food and beverage, as well as Other revenue, which is predominantly franchise and management fees, which are recognised in line with accommodation revenue at the point of stay.

Under management agreements, the Group's performance obligation is to provide hotel management services. Base and incentive management fees are typically charged. Base management fees are typically a percentage of total hotel revenues and incentive management fees are generally based on the hotel's profitability. Both are treated as variable consideration. Base management fees are recognised as the underlying hotel revenues occur. Incentive management fees are recognised over time when it is considered highly probable that the related performance criteria will be met, provided there is no expectation of a subsequent reversal of the revenue.

Franchise fees are made up of a percentage of total hotel revenues, which are recognised as the underlying hotel revenues occur, and a fixed fee per reservation, recognised at booking date.

2.6 Non-underlying items

Management classify non-underlying items to be those that are considered to be significant in nature and quantum, not in the normal course of business, for example items that are non-recurring, or are consistent with items that were treated as non-underlying in prior periods. Separate presentation of these items is intended to enhance understanding of the financial performance of the Group in the particular year under review and the extent to which results are influenced by material, unusual and/or non-recurring events. Non-underlying items are separately disclosed in note 8.

2.7 Coronavirus Job Retention Scheme (CJRS) grants

Coronavirus Job Retention Scheme (CJRS) grants were received in 2020 and 2021 in respect of furloughed staff for the purpose of providing immediate financial support to the Group as a result of Covid-19 pandemic. These grants were recognised once there was reasonable assurance that the Group had complied with the conditions attaching to them and that the grants were received.
CJRS grants were recognised in wages and salaries in the profit or loss in the same year in which the expense was incurred. The scheme ended in September 2021 and no similar grants were received in 2022.

2.8 Leasing

The Group's leasing activities and how these are accounted for
The Group leases various properties, all but a few being hotel properties. Rental contracts are typically made for fixed periods of 25 years or 35 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions. The lease agreements do not impose any financial covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the incremental borrowing rate.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing (continued)

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received, and
- any initial direct costs

Variable lease payments
Variable lease payments that depend on sales are recognised in profit or loss in the year in which the condition that triggers those payments occurs.

Extension and termination options
a) Lessee options
Due to a property lease term typically being for 25 years or 35 years lessee there is usually insufficient evidence to support the consideration of lease extension and termination options until 3 years prior to the termination date (in line with our 3 year planning process) unless commercial negotiations have commenced sooner.

b) Lessor options
Lessor only extension rights apply to a number of our properties and as required by IFRS 16 the period of the option to extend the lease is included as part of the overall lease term.

As a lessee
The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and less any lease incentives received. End of lease restoration costs are excluded from the initial cost as lease properties are continuously maintained and refurbished.

The right of use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset and the end of the lease term. The estimated useful lives of right-of use assets are determined by the contractual terms of the leases, taking into account break clauses and lease extension options as set out above. In addition, the right-of use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the incremental borrowing rate specific to that lease. Generally, the Group uses the incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:
- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year.

The lease liability is re-measured when there is a change in future lease payments arising from a change in an index or rate or when there is a lease modification. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right- of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets
The Group has elected to recognise all its property right-of-use assets and lease liabilities. It has elected not to recognise short-term leases that have a lease term of 12 months or less and leases of low-value assets.

As a lessor
When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. The lease classification of a sub-lease is also based on an assessment of the risks and rewards of ownership of the right-of-use-asset arising from the head lease, in

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing (continued)

particular whether or not the risks and rewards of ownership lie with the lessor.

2.9 Foreign currencies

Transactions and balances
The presentational and functional currency of the Company is sterling. Foreign currency transactions are translated into sterling using average exchange rates over the financial year.

Group companies
The presentational and functional currency of the Group is sterling. The results and financial position of Group entities that have a functional currency different from the Group's presentational currency are translated in the consolidated financial statements. Assets and liabilities are translated into sterling at rates prevailing at the balance sheet date. Income statement items are translated at the average rates of exchange. All resulting exchange differences are recognised in other comprehensive income.

2.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all, or part of, the deferred tax asset to be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited to other comprehensive income or to equity, in which case the deferred tax is also dealt with in other comprehensive income or in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2.11 IT software

IT software is measured initially at purchase cost and is amortised on a straight line basis over its expected useful life of three years. Cost includes the original purchase price of the assets and the costs attributable to bringing the asset to working condition for its intended use. The values attributed are reviewed for impairment if events or changes in circumstances indicate that their carrying value may be impaired.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Brand

The brand name acquired through the acquisition of the Travelodge Hotels Limited business was assigned a fair market value at the date of acquisition. The value for the brand name was derived by estimating the amount of royalty income that could be generated from the brand name if it was owned by an independent third-party using a royalty rate Travelodge Hotels Limited would expect to receive on forecast future revenues. This is considered to be the market value that could be achieved. The resulting cash flow was discounted to the acquisition date using the Group's pre-tax weighted average cost of capital. The Group considers the value of the brand name, which was first introduced into the UK in 1985, will be maintained indefinitely and is therefore not amortised. The Group supports the value of the brand name through investment in consumer marketing and advertising, public relations and hotel maintenance and refurbishment across the business. The value of the brand name is reviewed annually for impairment. Please refer to note 14 for additional details.

2.13 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and any provision for impairment. Cost includes original purchase price of the assets and the costs attributable to bringing the asset to its working condition for its intended use.

These are depreciated on a straight line basis, over their estimated useful lives as follows:

- Freehold land is not depreciated.
- Freehold buildings are depreciated to their estimated residual values over periods up to fifty years.
- Long leasehold buildings are depreciated to their estimated residual values over fifty years or, where shorter, their remaining lease periods.
- Fixtures and fittings are depreciated over five years for plant and machinery, fixtures, fittings, equipment and over three years for information technology hardware.
- Assets under construction are not depreciated.

2.14 Assets under construction

Assets under construction are not depreciated. Residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

2.15 Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired (see also 'Brand' policy above).

The recoverable amount is the higher of the fair value less costs to sell and value in use of the asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of the asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years.

2.16 Inventory

Inventory comprises food, bar stocks and hotel consumables and are stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis.

2.17 Derivative financial instruments and hedge accounting

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting (continued)

a party to the contractual provisions of the instrument. Derivatives are not basic financial instruments. They are initially recognised at fair value, changes in which are recognised in profit or loss unless they are included in a hedging arrangement.

The Group's activities expose it primarily to the financial risks of changes in interest rates. The Group uses interest rate swap contracts to hedge these exposures and they are designated as cash flow hedges of floating rate borrowings. The Group does not use derivative financial instruments for speculative purposes.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provides written principles on the use of financial derivatives.

The fair value of the derivative financial instruments is shown as non-current if the maturity date of the hedged item is more than 12 months after the balance sheet date.

Changes in the fair value of the derivative financial instruments that are designated and effective as hedges of future cash flows are recognised in other comprehensive income and the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or liability, amounts deferred in equity are recognised in the income statement in the same year in which the hedge item affects net profit or loss.

Interest hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedging transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

2.18 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2.19 Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received net of any direct issue costs.

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

2.21 Pension costs

The Group offers a defined contribution scheme to its employees by way of recommending a third party stakeholder scheme with The Scottish Widows plc and the National Employment Savings Trust (NEST). The amount charged to the income statement for this scheme in respect of pension costs and other post-retirement benefits is the contributions payable by the Group in respect of the year. Differences between Group contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

2.22 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

2.23 Ordinary share capital

Ordinary share capital is classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

2.24 Share Based Payments

The company's ultimate parent company, Anchor Holdings S.C.A. ("Anchor"), has issued share capital to management of the company under a Management Incentive Plan ("MIP"). Management will only receive value from their shareholding if there is an exit event and they remain in employment by the company or another group company at the date of exit. The arrangement represents an equity-settled share-based payment. If an exit event occurs and the sale proceeds are insufficient to cover management's entitlement on the exit event, the company is obligated to settle the arrangement. This arrangement represents a cash-settled share-based payment.

The company has issued warrants to a small group of employees for the option to acquire share capital in Anchor on an exit event. The employees will only receive value from their shareholdings if there is an exit event and they remain in employment by the company or another group company at the date of exit. The arrangement constitutes an equity-settled share-based payment. If an exit event occurs and the sale proceeds are insufficient to cover the employee's entitlement on the exit event, the company is obligated to settle the arrangement. This arrangement represents a cash-settled share-based payment.

Equity-settled

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using a Binomial Lattice model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

The expense in relation to options over Anchor's shares granted to employees of the company is recognised by the company as a capital contribution.

Modifications and cancellations

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions (the "original fair value") and under the modified terms and conditions (the "modified fair value") are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share Based Payments (continued)

Cash-settled

For cash-settled share-based payments the goods or services received are measured at fair value with a corresponding liability which is remeasured to fair value at each reporting date. Changes in fair value are recognised through profit or loss.

3 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTIES

The preparation of the financial statements in conformity with generally accepted accounting principles requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results in the future could differ from those estimates. In this regard, the Directors believe that the critical accounting policies where judgements or estimations are necessarily applied are summarised below.

Critical Accounting Judgements

Share Based Payments
In addition to the MIP and warrant equity arrangements, the company and employees of the MIP and warrants have entered into an arrangement whereby the company is obligated to settle the arrangement in cash should the proceeds be insufficient to cover the Class L, L1, K and K1 shareholders entitlement on an exit event. This arrangement represents a cash-settled share-based payment.

There is only a remote probability that the trigger for the cash settled arrangement would arise, and therefore the value of the liability has been measured at nil and has not been recognised.

Deferred Tax Asset
The Group carries out an assessment of the recoverability of tax losses for each reporting period and, to the extent they exceed deferred tax liabilities within the Group, has not recognised any additional deferred tax asset. Management has used judgement in this assessment not to recognise any additional tax losses in excess of the deferred tax liability. Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Impairment Reversals
In 2020, impairments across 37 sites were recognised as a result of the reduced profitability of the hotels during the period of government restrictions. Management has used judgement to determine whether any reversal would be required. Currently there is uncertainty as to whether a permanent reversal would be appropriate, therefore no reversals have been applied.

Brand life
The Group uses judgement to determine that the value of the brand name will be maintained indefinitely and is therefore not amortised. Management has used judgement to determine that the brand name will contribute to cash flows indefinitely, given its strength and longevity, which was first introduced into the UK in 1985.

Critical Accounting Estimates

Discount rate - Leases
Management use estimation in determining the appropriate discount rates to apply when new leases are entered into and lease modifications are calculated.

If a 1% point increase or deduction in discount rate was applied across the Travelodge Hotels Limited estate the total value of Right of use assets and Lease liabilities will decrease by £185.8m or increase by £210.3m respectively.

Share Based Payments
Vesting for the Management Incentive Plan is estimated to be 3 years from the first date of issue (June 2022). If the vesting period was only 2 years, the Share Based Payment charge in 2022 would increase by £1.7m. If the vesting period extended to 4 years, the Share Based Payment charge in 2022 would decrease by £0.9m.

Critical Accounting Estimates (continued)

Share Based Payments (continued)

Management has used estimates to determine the value of the shares and warrants within the Management Incentive Plan, through the assumptions within the cash flow and valuation modelling. Revenue growth is a critical estimate. If RevPAR growth were to be -3% lower than the plan assumed for 2023 (and then reverted to model growth thereafter), the total value of the Share Based Payments charge would decrease by £2.5m in 2022 (from £5.7m to £3.2m).

Impairment
Management has used estimates to determine the value in use of its tangible and intangible assets (and therefore the recoverable amount), through the assumptions used within the estimated future cash flows. A 14.5% reduction in the EBITDAR assumed for the cash flows would result in a £3m impairment.

4 DISAGGREGATED REVENUE DISCLOSURES

	2022			2021		
	UK	**International**	**Total**	**UK**	**International**	**Total**
	£m	£m	£m	£m	£m	£m
Revenue[(1)]	896.0	14.8	910.8	560.5	6.2	566.7
Operating profit/(loss)[(2)]	259.0	4.6	263.6	145.7	(0.7)	145.0
Profit/(loss) before tax[(3)]	(1.8)	1.3	(0.5)	(98.9)	(3.3)	(102.2)

(1) UK Revenue includes £0.9m (2021: £6.9m) of non-underlying revenue relating to the release of expired vouchers issued in relation to cancelled stays during periods of lockdown.

(2) UK Operating profit/(loss) includes a £(24.3)m loss (2021: £30.2m profit) on non-underlying items.

(3) UK profit/(loss) before tax includes a £(27.6)m loss (2021: £30.2m profit) on non-underlying items.

	2022	**2021**
	£m	£m
Revenue from accommodation related sales[(1)]	857.8	533.7
Revenue from food and beverage sales	49.7	24.8
Other Revenue [(2)]	2.3	1.3
Underlying Revenue	**909.9**	**559.8**
Release of expired vouchers issued in relation to cancelled stays during periods of lockdown	0.9	6.9
Total Revenue	**910.8**	**566.7**

[1] Accommodation related sales includes Wi-Fi and car parking sales
(2) Other revenue includes revenue from franchise fees and managed hotels

5 ANALYSIS OF ASSETS AND LIABILITIES BY GEOGRAPHICAL REGION

	2022				2021			
	UK	International	Unallocated	Total	UK	International	Unallocated	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Assets								
Property, plant and equipment	120.1	0.5	-	120.6	102.1	0.4	-	102.5
Right of use assets	2,170.0	28.9	-	2,198.9	2,089.2	27.8	-	2,117.0
Intangible assets	154.3	-	-	154.3	154.2	-	-	154.2
Deferred tax asset	-	4.7	-	4.7	-	3.7		3.7
Financial derivative asset	-	-	-	-	0.1	-	-	0.1
Inventory	1.7	-	-	1.7	1.3	-	-	1.3
Trade and other receivables	25.2	1.4	-	26.6	23.6	1.1	-	24.7
Corporation tax debtor	-	-	-	-	-	-	-	-
Cash and cash equivalents	150.5	3.7	-	154.2	142.1	0.7	-	142.8
Total assets	2,621.8	39.2	-	2,661.0	2,512.6	33.7	-	2,546.3
Liabilities								
Lease liabilities	(2,504.7)	(34.6)	-	(2,539.3)	(2,370.7)	(32.0)	-	(2,402.7)
Trade and other payables	(158.8)	(2.8)	-	(161.6)	(104.5)	(1.3)	-	(105.8)
Senior secured bond related debt	-	-	(499.5)	(499.5)	-	-	(497.1)	(497.1)
Revolving credit facility	-	-	-	-	-	-	(40.0)	(40.0)
Super senior term loan	-	-	-	-	-	-	(60.4)	(60.4)
Investor loan	-	-	(206.9)	(206.9)	-	-	(186.6)	(186.6)
Provisions	(3.1)	-	-	(3.1)	(8.0)	-	-	(8.0)
Total liabilities	(2,666.6)	(37.4)	(706.4)	(3,410.4)	(2,483.2)	(33.3)	(784.1)	(3,300.6)

6 OPERATING EXPENSES

	2022 £m	2021 £m
Cost of goods sold	48.2	26.9
Employee costs (note 9)	213.2	150.5
Fees payable to the Company auditors		
- audit for the parent company and consolidated financial statements	0.3	0.3
- audit fee for subsidiaries	0.2	0.2
Utilities (energy and water)	31.9	24.0
Business rates	37.9	6.7
Other site property costs	8.8	7.0
Other operating expenses[2]	130.2	81.3
Operating expenses	470.7	296.9
Rent payable (third party landlords)[1]	13.6	-
Rent receivable[3]	(3.6)	(4.2)
Net rent	10.0	(4.2)
Other income (note 7)	(0.6)	(0.6)
Depreciation	154.1	144.5
Amortisation	3.9	5.1
Impairment of intangible assets, property plant & equipment and right of use assets[2]	-	0.3
Depreciation, amortisation and impairment	158.0	149.9
Loss/(profit) on disposal of fixed assets[2]	9.1	(20.3)
Total	647.2	421.7

(1) Rent payable of £13.6m (2021: £nil) relates to £13.4m accrued rent payment in relation to the CVA (note 8) and £0.2m (2021: £0.2m) of variable lease payments that are not included within right of use assets, partially offset by a £0.2m credit (2021: £0.2m credit) relating to temporary rent reductions in Spain (note 16).

(2) Includes non-underlying items (note 8).

(3) Rent receivable relates to sublet income

The Group benefited approximately £1.0m (2021: £21.0m) from the hospitality business rates holiday, this applied only to Scottish and Welsh sites up to the end of Mar-22, in England there was no business rates holiday in 2022. The Group received Covid-19 business grants of c. £2.0m (2021: c. £10.0m), recognised within Business rates within Operating Expenses.

7 OTHER INCOME

	2022 £m	2021 £m
Other income[1]	0.6	0.5
Insurance claims receivable	-	0.1
Total Other Income	0.6	0.6

(1) Other income mainly consists of compensation for room damage and smoking fines.

8 NON-UNDERLYING ITEMS

	2022 £m	2021 £m
Release of expired vouchers issued in relation to cancelled stays during periods of lockdown	0.9	6.9
Revenue	0.9	6.9
Reassessment of provisions and Legal and advisors' fees and management incentives relating to the restructuring of the Group's debt and other non-underlying corporate activities	(8.4)	3.3
Operating (expenses)/income	(8.4)	3.3
CVA excess cumulative EBITDA rent payment	(13.4)	-
Rent	(13.4)	-
Impairment of intangible assets, property plant & equipment and right of use assets	-	(0.3)
Depreciation & amortisation	-	(0.3)
(Loss)/profit on disposal of assets	(1.9)	20.3
(Loss)/profit on disposal of assets	(1.9)	20.3
Early settlement fees on super senior term loan	(3.3)	-
Finance costs	(3.3)	-
Total non-underlying (debit)/credit (before taxation)	(26.1)	30.2
Provision for estimated tax liability	0.1	(4.0)
Total non-underlying (debit)/credit	(26.0)	26.2

Non-underlying items (before taxation) were a net charge of £26.1m for the year ended 31 December 2022 (31 December 2021: credit of £30.2m). The Group's policy in respect of non-underlying items is described in Note 2.

Within revenue, there is a £0.9m credit from the release of the balance of expired vouchers issued in relation to cancelled stays during periods of lockdown (note these are no longer in circulation).

Within operating expenses, a non-underlying charge of £8.4m (£7.1m of which relates to employee costs) includes £3.4m for share based payments and £1.3m of professional fees in connection with implementation of a management incentive plan. The incentive plan and associated charge is considered to be non-underlying given it is a one-off issuance and the timing and value of the vesting are linked to an exit event, the timing of which is uncertain. Also included is a £3.6m charge (of which £2.3m is for share based payments) for costs in respect of compensation for loss of office for the CEO who left during the year due to ill health (therefore one off and not in the normal course of business and non-recurring in nature).

Under the terms of the CVA, the business is required to make an additional cash rental payment to Eligible Compromised Landlords based on the cumulative performance of the Group during its 2020, 2021 and 2022 financial years (the "Recovery Period"). If the EBITDA (adjusted)[(1)] generated across the Recovery Period is greater than £200m, the business must distribute 66 2/3% (sixty six and two thirds per cent) of the excess amount (the "excess cumulative EBITDA") to the Eligible Compromised Landlords. Subsequent agreements with individual landlords will be taken into account for their individual payment calculations, which could reduce the overall value paid out. The cumulative EBITDA (adjusted)[(1)] across the three years is £220m, creating an excess cumulative EBITDA of £20m, therefore £13.4m has been accrued in the accounts to pay the Eligible Compromised Landlords in 2023, subject to finalisation of the calculations. This is non-underlying, given it is a non-recurring, one off event linked to the 2020 CVA and not representative of the normal course of business.

8 NON-UNDERLYING ITEMS (continued)

Loss on disposal of assets charge of £1.9m relates to the disposal of the original London Docklands hotel, with a replacement hotel being opened as a result of a landlord instigated deal that was not part of the normal course of business, therefore is non-underlying in nature.

In finance costs, a £3.3m charge in respect of early settlement fees on the super senior term loan incurred when the loan was settled in October 2022 (see Note 20). The early repayment of the loan is a one off event that the business was able to facilitate, but would not be a normal course of action and is therefore non-underlying in nature.

In addition, there was a non-underlying tax credit of £0.1m in the year ended 31 December 2022 relating to the release of the unutilised portion of a provision set up for the estimated liability arising from settlement of the HMRC enquiry into the tax impact of a historical corporate restructure. When the provision was originally created the charge was presented as a non-underlying item. This enquiry was settled in August 2022.

Non-underlying items (before taxation) were a net credit of £30.2m for the year ended 31 December 2021, being a £20.3m profit on disposal of assets where break clauses were instigated as a direct result of the CVA, a £6.9m revenue credit from the release of expired vouchers issued in relation to cancelled stays during periods of lockdown and a £3.3m credit from other provision reassessments (including legal provisions no longer required and a potential regulatory provision no longer required), partially offset by a £0.3m charge for the impairment of fixed assets.

In addition, there was a non-underlying tax charge of £(4.0)m in the year ended 31 December 2021 in respect of a provision set up for the estimated liability arising from settlement of the HMRC enquiry into the tax impact of a historical corporate restructure. This is a material non-recurring charge due to the enquiry into prior periods and is therefore non-underlying in nature.

(1) Refer to definition under the Alternative Performance Measures section.

9 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The Directors of the Company are considered to be the key management of the Group.

	2022 £m	2021 £m
Directors' emoluments		
Directors' emoluments	3.0	3.4
Fees	-	-
Pension costs	-	-
Share Based Payments	2.4	-
Compensation for loss of office	3.6	-
Total	9.0	3.4
Remuneration of the Chairman	2.4	0.5
Remuneration of the highest paid Director	4.1	1.5

	2022 Number	2021 Number
Number of Directors accruing benefits under the defined contribution scheme	-	-

	2022 £m	2021 £m
Employees costs during the year (including Directors)		
Wages and salaries	191.3	137.1
Social security costs	11.6	9.3
Other pension costs	4.6	4.1
Cost of employee share scheme (Note 23)	5.7	-
Total employee costs	213.2	150.5

Number of directors who received shares under long term incentive schemes was 3 (2021: nil).

Number of directors who exercised share options during the year was nil (2021: nil)

Equity Share Based Payment charges of £5.7m (£2.4m of which relates to current Directors) have arisen due to the introduction of the Management Incentive Plan (further described in note 23).

During the year the Group extended non-interest bearing loans to participants in its Management Incentive Plan, to the total value of £1.5m (£1.2m of which was to related parties, Note 26).

As announced on 17 May 2022, Craig Bonnar stepped down from his position as Chief Executive Officer for personal reasons on 16 May 2022. The terms of his leaving arrangements were such that he received compensation for loss of office to the value of £3.6m including £2.3m in respect of share based payments (note 23).

In 2021, a grant of £20.9m was received in respect of the UK Government's Coronavirus Job Retention Scheme (CJRS), which was offset against employee costs. This scheme terminated in September 2021 so nothing further was received in 2022.

In 2022, £3.0m (2021: £2.8m) of employee costs were capitalised during the year in respect of employees working on IT and hotel refit capital projects.

9 INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)

		2022 Number	2021 Number
Average FTE number of persons employed(1)			
Monthly			
	- UK	1,584	1,429
	- International	75	60
		1,659	1,489
Weekly			
	- UK	6,248	3,916
	- International	-	-
		6,248	3,916
		7,907	5,405

		2022 Number	2021 Number
Total number of persons employed(2)	- UK	12,206	10,458
	- International	81	71
		12,287	10,529

The total number of employees at the year ended 31 December 2022 includes all employees whether full time or part time. The average FTE number of employees has been calculated as the average FTE number of people who were included on the Group's payroll during the year.

(1) Average FTE number of persons employed includes executive Directors.
(2) Total number of persons employed includes executive Directors.

10 FINANCE INCOME

	2022			2021		
	Received £m	Accrued £m	Total £m	Received £m	Accrued £m	Total £m
Interest on bank deposits	1.3	0.5	1.8	-	-	-
Interest on related party loans (note 26)	-	0.1	0.1	-	0.2	0.2
Finance income	1.3	0.6	1.9	-	0.2	0.2

11 FINANCE COSTS

	2022	2021
	Total £m	Total £m
Finance fees	5.2	3.7
Unwinding of discount on provisions	-	0.1
Interest on bank loans	7.2	8.8
Interest on fixed and floating rate bonds	35.6	29.8
Interest on lease liabilities	194.4	184.8
Finance costs before interest on investor loan - underlying	242.4	227.2
Interest on investor loan	20.3	20.2
Finance costs - underlying	262.7	247.4
Non-underlying items		
Fees in relation to early repayment of debt	3.3	-
Finance costs	266.0	247.4

12 INCOME TAX

	2022 £m	2021 £m
Current tax		
Current tax profits for the year	1.0	-
Provision for uncertain tax position	(0.1)	4.0
UK Corporation tax	-	-
Foreign tax	-	-
Total current tax (credit) / charge	0.9	4.0
Deferred tax		
Current year (credit) / charge	(0.7)	(0.2)
Adjustment in respect of previous years	-	-
Effect of change in tax rate	-	-
Total deferred tax (credit) / charge (note 21)	(0.7)	(0.2)
Income tax charge	0.2	3.8

The main rate of UK corporation tax was 19.0% (2021: 19.0%).

Deferred tax balances have been measured at a rate of 25.0% (2021: 25.0%), being the rate substantively enacted at the balance sheet date.

Current corporation tax is calculated at 19.0% (2021: 19.0%) of the estimated assessable profit for the year.

The total charge for the year can be reconciled to the loss per the income statement as follows:

	2022 £m	2021 £m
Loss before tax	(0.5)	(102.2)
Tax at the UK corporation rate of 19.0% (2021: 19.0%)	(0.1)	(19.4)
Tax effect of:		
Items not deductible for tax purposes	1.9	4.5
Losses where no DTA is recognised	(0.9)	14.6
Effect of overseas tax rates	0.0	0.1
Provision for uncertain tax position	(0.1)	4.0
Other	(0.6)	-
Income tax charge for the year	0.2	3.8

The deferred tax credit arising in the year is comprised as follows:

	Intangible and Right of Use assets £m	Tax losses and hold-over relief £m	Accelerated tax depreciation £m	Total £m
(Credit)/ charge due to movement in the year (note 21)	3.5	0.3	(3.1)	0.7
(Credit)/ charge to income statement	3.5	0.3	(3.1)	0.7

There was a non-underlying tax charge of £4.0m in the year ended 31 December 2021 in respect of a provision set up for the estimated liability arising from settlement of an ongoing HMRC enquiry into prior periods.

13 SUBSIDIARIES

The subsidiaries of the Group are listed below.

2022 & 2021				
Name of subsidiary undertaking	**Registered address**	**Business description**	**Country of Incorporation**	**% of equity held**
Travelodge Hotels Limited	Sleepy Hollow, Aylesbury Road, Thame, Oxon, OX9 3AT	Trading Company	Great Britain	100
Travelodge Hoteles Espana SL	Calle Santa Leonor, 34, 28037, Madrid, Spain	Trading Company	Spain	100
Full Moon Holdco 4 Limited*	Sleepy Hollow, Aylesbury Road, Thame, Oxon, OX9 3AT	Holding Company	Great Britain	100
Full Moon Holdco 5 Limited	Sleepy Hollow, Aylesbury Road, Thame, Oxon, OX9 3AT	Holding Company	Great Britain	100
Full Moon Holdco 6 Limited	Sleepy Hollow, Aylesbury Road, Thame, Oxon, OX9 3AT	Holding Company	Great Britain	100
Full Moon Holdco 7 Limited	Sleepy Hollow, Aylesbury Road, Thame, Oxon, OX9 3AT	Holding Company	Great Britain	100
TVL Finance PLC	47 Esplanade, St Helier, Jersey, JE1 0BD	Financing Company	Jersey	100
TLLC Holdings2 Limited	Sleepy Hollow, Aylesbury Road, Thame, Oxon, OX9 3AT	Holding Company	Great Britain	100
Travelodge Holdings (Malta) Limited	The Landmark, Level 1, Suite 2, Triq L-Iljun, Qormi QRM3800, Malta	Holding Company	Malta	100
FullMoonPropco1 Limited	Sleepy Hollow, Aylesbury Road, Thame, Oxon, OX9 3AT	Trading Company	Great Britain	100
Travelodge Limited	Sleepy Hollow, Aylesbury Road, Thame, Oxon, OX9 3AT	Dormant Company	Great Britain	100

* Directly owned
All shares held are ordinary shares

14 INTANGIBLE ASSETS

An analysis of intangible assets for 2022 is given below:

	Brand[1] £m	Assets under construction[2] £m	IT Software[3] £m	Total £m
Cost				
At 1 January 2022	145.0	2.6	14.1	161.7
Additions - Capital expenditure	-	6.7	-	6.7
Transfers between categories[5]	-	(6.1)	3.3	(2.8)
Write off fully depreciated assets	-	-	(4.8)	(4.8)
At 31 December 2022	145.0	3.2	12.6	160.8
Accumulated amortisation				
At 1 January 2022	-	-	(7.5)	(7.5)
Charge for the year	-	-	(3.8)	(3.8)
Write off fully depreciated assets	-	-	4.8	4.8
At 31 December 2022	-	-	(6.5)	(6.5)
Carrying amount				
At 31 December 2022	145.0	3.2	6.1	154.3
At 31 December 2021	145.0	2.6	6.6	154.2

14 INTANGIBLE ASSETS (CONTINUED)

An analysis of intangible assets for 2021 is given below:

	Brand(1) £m	Assets under construction(2) £m	IT Software(3) £m	Total £m
Cost				
At 1 January 2021	145.0	3.0	15.3	163.3
Additions - Capital expenditure	-	5.1	-	5.1
Movement on capital creditors(4)	-	0.1	-	0.1
Transfers between categories(5)	-	(5.6)	2.3	(3.3)
Write off fully depreciated assets	-	-	(3.5)	(3.5)
At 31 December 2021	145.0	2.6	14.1	161.7
Accumulated amortisation				
At 1 January 2021	-	-	(5.9)	(5.9)
Charge for the year	-	-	(5.1)	(5.1)
Write off fully depreciated assets	-	-	3.5	3.5
At 31 December 2021	-	-	(7.5)	(7.5)
Carrying amount				
At 31 December 2021	145.0	2.6	6.6	154.2
At 31 December 2020	145.0	3.0	9.4	157.4

(1) The brand intangible asset arose on the acquisition of Travelodge Hotels Limited. This is not subject to annual amortisation but is assessed for impairment on an annual basis.

(2) Assets under construction predominantly consists of costs in relation to investment in IT software. Once complete the costs are transferred to the appropriate asset category.

(3) IT software is measured initially at purchase cost and is amortised on a straight line basis over three years.

(4) Movement on capital creditors represents the year on year movement in accrued capital expenditure at year end.

(5) Transfers between categories include £2.9m (2021: £3.3m) of leasehold premiums reclassified to right of use assets.

The brand name acquired through the acquisition of the Travelodge Hotels Limited business was assigned a fair market value at the date of acquisition. The value of the brand name is reviewed annually for impairment. This is derived by estimating the amount of royalty income that could be generated from the brand name if it was owned by an independent third party using a royalty of 4.0% on forecast future revenues, which is considered to be the market value that could be achieved. The sales forecast is based on a sales forecast for the period 2023 - 27 and an estimated long term growth rate of 2.0% (2021: 2.0%). The key assumptions are consistent with past experience and with external sources of information. This is discounted at the pre-tax weighted average cost of capital of 8.9% (2021: 7.1%) which is calculated using the Capital Asset Pricing Model and referencing inputs from a portfolio of similar hotel businesses. The Group considers the value of the brand name, which was first introduced into the UK in 1985, will be maintained indefinitely and is therefore not amortised. A sensitivity was performed and confirmed that the royalty rate could be reduced to 0.9% (2021: 0.7%) or the discount factor rate would need to increase to 30.4% (2021: 26.0%) before an impairment is triggered.
No impairments of brand name were recorded in 2022 or 2021.

15 PROPERTY, PLANT AND EQUIPMENT

An analysis of property, plant and equipment for 2022 is given below:

	Assets under construction[1] £m	Freehold land, freehold and long leasehold buildings[2] £m	Fixtures and fittings[3] £m	Total £m
Cost				
At 1 January 2022	2.2	1.8	203.8	207.8
Additions - Capital expenditure	68.0	-	0.2	68.2
Movement on capital creditors[4]	-	-	2.6	2.6
Transfers	(64.2)	-	64.3	0.1
Write off fully depreciated assets	-	-	(34.1)	(34.1)
Disposals	-	-	(20.3)	(20.3)
At 31 December 2022	6.0	1.8	216.5	224.3
Accumulated depreciation				
At 1 January 2022	-	(0.2)	(105.1)	(105.3)
Charge for the year	-	-	(45.0)	(45.0)
Write off depreciation on fully depreciated assets	-	-	34.1	34.1
Disposals	-	-	12.5	12.5
Impairment	-	-	-	-
At 31 December 2022	-	(0.2)	(103.5)	(103.7)
Carrying amount				
At 31 December 2022	6.0	1.6	113.0	120.6
At 31 December 2021	2.2	1.6	98.7	102.5

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

An analysis of property, plant and equipment for 2021 is given below:

	Assets under constr-uction(1) £m	Freehold land, freehold and long leasehold buildings(2) £m	Fixtures and fittings(3) £m	Total £m
Cost				
At 1 January 2021	1.5	1.8	206.5	209.8
Additions - Capital expenditure	29.3	-	-	29.3
Movement on capital creditors(4)	-	-	(1.5)	(1.5)
Transfers	(28.6)	-	28.6	-
Write off fully depreciated assets	-	-	(25.4)	(25.4)
Disposals	-	-	(4.4)	(4.4)
At 31 December 2021	2.2	1.8	203.8	207.8
Accumulated depreciation				
At 1 January 2021	-	(0.2)	(88.9)	(89.1)
Charge for the year	-	-	(45.0)	(45.0)
Write off depreciation on fully depreciated assets	-	-	25.4	25.4
Disposals	-	-	3.5	3.5
Impairment	-	-	(0.1)	(0.1)
At 31 December 2021	-	(0.2)	(105.1)	(105.3)
Carrying amount				
At 31 December 2021	2.2	1.6	98.7	102.5
At 31 December 2020	1.5	1.6	117.6	120.7

(1) Assets under construction predominantly consists of on-going capital maintenance and refit projects. Once complete the costs are transferred to the appropriate asset category.

(2) Freehold, freehold and long leasehold buildings includes freehold land stated at cost of £20,100 (2021: £20,100) which is not depreciated. Freehold land and long leasehold properties are stated at cost. Depreciation is provided on cost in equal annual instalments over the estimated remaining useful lives of the assets.

(3) Fixtures and fittings are initially measured at cost and are depreciated over three to 5 years.

(4) Movement on capital creditors represents the year on year movement in accrued capital expenditure at year end.

In line with its accounting policy, the Group assesses the carrying value of all cash generating units, which would include individual hotels, where there are indications of potential impairment. Impairment reviews are performed annually at the Group's year end of 31 December.

In order to form an estimate of the fair value, the Company prepares cash flow forecasts derived from the most recent financial budgets and financial plans approved by the Directors and extrapolates cash flows beyond this time based on an estimated long term growth rate of 2.0% (2021: 2.0%). The key assumptions are consistent with past experience and with external sources of information. Reviews are performed on a site by site basis over the length of the lease. The Directors have considered the Company's financial projections and the assumptions which underpin those projections including future growth of the budget hotel sector, brand demand and occupancy.
The financial projections include the expected estimated cash outflows in order to meet the Group’s net zero commitment by 2050.

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The discount rate assumption has been calculated with reference to the market-weighted average pre-tax cost of capital based on a portfolio of similar hotel businesses using the Capital Asset Pricing Model as a starting point. As permitted by IAS 36, this is then adjusted to reflect the estimated incremental borrowing cost of leasing for each asset based on market rates at the date of the review, in line with the methodology for assessing the variation in the discount rate by asset used to calculate the discount rate which has been used to derive the lease liabilities included on the balance sheet as a result of IFRS 16. This resulted in a weighted average pre-tax discount rate of 8.9% (2021: 7.1%).

As a result of this review, an impairment charge of £nil (2021: £0.1m) has been made in the year.

16 RIGHT OF USE ASSETS

An analysis of Right of use assets for 2022 is given below:

	Property £m	Total £m
Cost		
At 1 January 2022	2,851.4	2,851.4
New leases	87.8	87.8
Transfers (1)	2.9	2.9
Rent reviews and adjustments	134.6	134.6
Disposals	(46.8)	(46.8)
Foreign Exchange Translation Adjustment	0.5	0.5
At 31 December 2022	3,030.4	3,030.4
Accumulated depreciation		
At 1 January 2022	(734.4)	(734.4)
Depreciation charge for the year	(109.3)	(109.3)
Disposals	10.9	10.9
Foreign Exchange Translation Adjustment	1.3	1.3
Impairment	-	-
At 31 December 2022	(831.5)	(831.5)
Carrying amount		
At 31 December 2022	2,198.9	2,198.9
At 31 December 2021	2,117.0	2,117.0

16 RIGHT OF USE ASSETS (CONTINUED)

An analysis of Right of use assets for 2021 is given below:

	Property £m	Total £m
Cost		
At 1 January 2021	2,780.1	2,780.1
New leases	75.7	75.7
Transfers [1]	3.3	3.3
Rent reviews and adjustments	38.7	38.7
Disposals	(43.6)	(43.6)
Foreign Exchange Translation Adjustment	(2.8)	(2.8)
At 31 December 2021	2,851.4	2,851.4
Accumulated depreciation		
At 1 January 2021	(657.2)	(657.2)
Depreciation charge for the year	(99.5)	(99.5)
Disposals	21.9	21.9
Foreign Exchange Translation Adjustment	0.6	0.6
Impairment	(0.2)	(0.2)
At 31 December 2021	(734.4)	(734.4)
Carrying amount		
At 31 December 2021	2,117.0	2,117.0
At 31 December 2020	2,122.9	2,122.9

[1] Transfers relate to initial direct costs reclassified from assets under construction within intangible assets.

As permitted by IFRS 16, the Group has elected not to recognise Right of use assets in respect of short term or low value leases.

In line with its accounting policy, the Group assesses the carrying value of all cash generating units, which are defined are defined as individual hotels, where there are indications of potential impairment. Where an impairment trigger is identified, the assessment is performed annually at the Group's year end of 31 December.

As a result of this review, an impairment charge of £nil (2021: £0.2m) has been made in the year.

17 TRADE AND OTHER RECEIVABLES

	2022 £m	2021 £m
Amounts due within one year:		
Trade amounts receivable		
- Gross amount receivable	11.0	7.5
- Expected credit losses	(0.4)	(0.3)
- Net amounts receivable	10.6	7.2
Other amounts receivable	4.9	2.5
Other taxation	-	3.2
Accrued income[2]	1.0	1.7
Prepayments[1]	8.4	7.6
Loans to related parties and key management personnel (note 26)	1.7	2.5
Total	26.6	24.7

(1) Prepayments mainly include prepayments of property costs and system costs.
(2) Accrued income is made up of £nil (2021: £0.7m) accrued income, £nil (2021: £0.6m) accrued rent receivable and £1.0m (2021: £0.4m) accrued supplier rebates.

Management has estimated the fair value of trade and other receivables to be equal to the book value.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Group estimates expected credit losses based on historical experience.

Trade Receivable Ageing

	2022 £m	2021 £m
Current	8.7	6.8
Past due		
30 days	0.3	0.1
60 days	0.2	0.1
90+ days	1.8	0.5
Total	11.0	7.5

18 TRADE AND OTHER PAYABLES

	2022 £m	2021 £m
Trade payables	(10.6)	(8.7)
Other payables(1)	(10.4)	(10.8)
Social security and other taxation (2)	(15.7)	(2.2)
Accruals	(67.3)	(52.6)
Deferred income	(1.0)	(0.7)
Contract liabilities - Prepaid room purchases (3)	(37.6)	(27.9)
Capital payables	(5.6)	(2.9)
CVA excess cumulative EBITDA rent payment(4)	(13.4)	-
Amounts falling due within one year	(161.6)	(105.8)
Total	(161.6)	(105.8)

(1) Other payables include bank and bond interest accrued, bond issue costs accrued and pension fund contributions.
(2) Social security and other taxation includes VAT creditor of £12.2m (2021: £(1.4)m).
(3) Prepaid room purchases of £37.6m (2021: £27.9m) relate to cash received at the time of room booking prior to arrival date and is recognised when customers stay. 49.4% (2021: 44.4%) would be non-refundable on cancellation of the room booking, with revenue being recognised once the booking is cancelled, the stay date passes or the voucher expires. Customer stays are within 1 year of the booking date so contract liabilities at the start of the year are recognised within revenue in the year
(4) Relates to a one off rent payment to landlords in relation to the Excess Cumulative EBITDA payment clause in the 2020 CVA, subject to finalisation of the calculations. See Note 8 for further details.

The Group pays its trade payables in line with the terms that it has agreed with its suppliers. Typically, these terms vary from 30 days to 90 days.

Management has estimated the fair value of trade and other payables to be equal to the book value.

19 LEASE LIABILITIES

	2022 £m	2021 £m
Opening Balance	(2,402.7)	(2,347.8)
New leases	(87.8)	(75.7)
Lease Adjustments	(134.6)	(38.7)
Foreign Exchange Translation Adjustment	(1.6)	2.5
Finance Costs	(194.4)	(184.8)
Payments	247.3	198.8
Disposals	34.5	43.0
Closing Balance	(2,539.3)	(2,402.7)
Amounts falling due within one year	(46.5)	(46.9)
Amounts falling after one year	(2,492.8)	(2,355.8)
	(2,539.3)	(2,402.7)

Lease adjustments of £(134.6)m in 2022 mainly consist of rent reviews. Lease adjustments of £(38.7)m in 2021 mainly consisted of rent reviews.

Under the terms of the company voluntary arrangement, which was approved on 19 June 2020, the Group benefited from a temporary period of rent reductions for certain assets in the portfolio to the end of 2021 and the landlords of these assets were entitled to enter into extension options in relation to those leases. As the reductions extended beyond 30 June 2021, they did not qualify for the practical expedient as originally set out by the International Accounting Standards Board and were, therefore, assessed as modifications.

Lease liabilities are based on discounted future committed lease payments and therefore do not include the impact of variable lease components, short-term and low value leases. Further information regarding these payments is provided below.

Lease liabilities have been discounted at a weighted average discount rate of 8.83% (2021: 8.88%) with a range between 5.0% and 11.0% (2021: 5.0% to 11.0%) and represent leases with a weighted average remaining length, including landlord extension options, from the balance sheet date of 22.7 years (2021: 23.3 years).

Details of lease payments made in the year and charged to the Income Statement are given below:

Lease payments charged/ (credited) to Income Statement

	Total 2022 £m
Variable lease payments charge not included within right of use assets	0.2
Income from subleasing right of use assets	(3.6)
CVA payment to compromised landlords[1]	13.4
	10.0

[1] Relates to the non-underlying provision for the Excess Cumulative EBITDA rent payment clause in the 2020 CVA as a result of the cumulative performance of the Group during its 2020, 2021 and 2022 years (see Note 8).

19 LEASE LIABILITIES (CONTINUED)

	Total 2021 £m
Variable lease payments charge not included within right of use assets	0.2
Credit relating to temporary rent reductions in Spain	(0.2)
Income from subleasing right of use assets	(4.2)
	(4.2)

The total cash outflow for leases in 2022 was £247.3m (2021: £198.8m).

20 FINANCIAL ASSETS AND LIABILITIES

Net debt	**2022 £m**	**2021 £m**
Cash at bank and in hand	154.2	142.8
External debt redeemable:		
- Senior secured fixed rate bond	(65.0)	(65.0)
- Senior secured floating rate bond	(440.0)	(440.0)
- Issue costs	5.5	7.9
Senior secured bond related debt	(499.5)	(497.1)
- Super senior term loan	-	(63.1)
- Issue costs	-	2.7
Super senior term loan related debt	-	(60.4)
Revolving credit facility	-	(40.0)
External debt	(499.5)	(597.5)
Net external debt	(345.3)	(454.7)
Investor loan note	(206.9)	(186.6)
Net debt before leases liabilities	(552.2)	(641.3)
Lease liabilities	(2,539.3)	(2,402.7)
Net debt including lease liabilities	(3,091.5)	(3,044.0)

Senior secured bond related debt
Senior secured floating rate sterling denominated notes of £440m were issued on 5 July 2019 with a termination date of 15 July 2025. Until 31 December 2021, interest was floating at three month LIBOR plus a margin of 5.375%.

As a result of the Bank of England's discontinuation of LIBOR, certain amendments have been agreed with all relevant counterparties to effectuate a reference rate transition from LIBOR plus 5.375% to Sterling Overnight Index Average (SONIA) plus 5.375% (including margin adjustments) in respect of the period from the commencement date of the first interest period commencing on or after 31 December 2021 to the maturity date.

Interest is payable quarterly each January, April, July and October. The notes may be redeemed at any time on or after 15 July 2020, at par.

On 18 December 2020, new senior secured fixed rate sterling denominated notes of £65m were issued with a termination date of 15 January 2025. Interest was fixed at 9% and payable on a semi-annual basis.

Further loan issue costs of approximately £3.8m will be amortised over the life of the facility in line with generally accepted accounting practice.

Revolving credit facility and super senior term loan
At the balance sheet date, a sterling denominated revolving credit facility of £40m was available to the Group until July 2024.

In May 2020, the RCF/LOC facility was amended with the net leverage financial covenant for the relevant quarter end testing periods from 30 June 2020 until and including 30 June 2021 being replaced by a minimum liquidity covenant. This was extended on 29 September 2021 to provide a financial covenant holiday until 31 December 2021 and extend the liquidity testing period until 30 June 2022. The minimum liquidity covenant requires that available liquidity is not lower than £10m for any period of five (5) consecutive business days.

In March 2022 the Group repaid £8m to reduce drawings under the Group's existing £40m revolving credit facility ("RCF") to £32m and revised covenant terms have been agreed with its banking partners. The remaining £32m drawings under the RCF were repaid in May 2022.

20 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Under the revised covenant terms, the Group's existing springing covenant requirements, which apply if drawings under the RCF are £32m or more, are not tested and have been replaced with maintenance covenants from 31 March 2022 to 30 June 2023, comprising stepped quarterly net leverage tests and minimum liquidity covenants, after which the business returns back to the previous quarterly net leverage covenant tests, the first of which would be on 30 September 2023.

On 16 November 2020, the Group entered into an agreement in the form of a super senior term loan of £60m, available to the Group until July 2024, which was drawn in full on 1 December 2020.

An OID fee of £1.9m was incurred in respect to the drawdown of £60m, which was paid on 10 January 2022. Until repayment this fee was capitalised and deemed to form a new loan under the facility and was being amortised over the life of the facility in line with generally accepted accounting practice.

Further loan issue costs of approximately £2.0m were also being amortised over the life of the facility in line with generally accepted accounting practice.

On 26 October 2022 the super senior term loan, including accrued interest and early settlement fees, was repaid in full and the balance of the amortised loan issue costs was written off.

Letter of credit facility
The letter of credit facility has a maximum usage of £30m and is available until July 2024. At 31 December 2022, letters of credit were in issue to the value of £24.9m, but not called upon.

Investor loan note
The Group holds investor loan note agreements with Anchor Holdings SCA to the value of £135.0m held in three tranches. The original investor loan note of £95m has a termination date of January 2026 and the two subsequent tranches of £10m and £30m respectively have termination dates in 2033.

The interest rate charged on the investor loan note is 15%. Accrued interest for the year ended 31 December 2022 totalled £20.3m (2021: £20.2m) with the total cumulative accrued interest on the three tranches being £71.9m (2021: £51.6m).

20 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

	Lease liabilities £m	**Senior secured fixed rate bond £m**	**Senior secured floating rate bond £m**	**Revolving credit facility £m**	**Super senior term loan £m**	***Total External debt £m***	**Investor loan note £m**	***Total £m***
Balance at 1 January 2022	(2,402.7)	(65.0)	(440.0)	(40.0)	(63.1)	*(3,010.8)*	(186.6)	*(3,197.4)*
New leases	(87.8)	-	-	-	-	*(87.8)*	-	*(87.8)*
Lease adjustments	(134.6)	-	-	-	-	*(134.6)*	-	*(134.6)*
Foreign exchange translation adjustments	(1.6)	-	-	-	-	*(1.6)*	-	*(1.6)*
Lease payments	247.3	-	-	-	-	*247.3*	-	*247.3*
Disposals	34.5	-	-	-	-	*34.5*	-	*34.5*
Interest on lease liabilities	(194.4)	-	-	-	-	*(194.4)*	-	*(194.4)*
Accrued investor loan interest	-	-	-	-	-	-	(20.3)	*(20.3)*
Repayment of term loan	-	-	-	-	61.9	*61.9*	-	*61.9*
Repayment of term loan capitalised interest	-	-	-	-	1.2	*1.2*	-	*1.2*
Repayment of revolving credit facility	-	-	-	40.0	-	*40.0*	-	*40.0*
Net movement in year	(136.6)	-	-	40.0	63.1	*(33.5)*	(20.3)	*(53.8)*
Balance at 31 December 2022	(2,539.3)	(65.0)	(440.0)	-	-	*(3,044.3)*	(206.9)	*(3,251.2)*

20 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

A comparison of the carrying value and fair value of the Group's financial assets and liabilities is shown below.

	2022		2021	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Financial instrument categories				
Cash and cash equivalents	154.2	154.2	142.8	142.8
Financial assets at amortised cost (1)	17.2	17.2	12.2	12.2
Financial derivative asset	-	-	0.1	0.1
Senior secured bond related debt	(505.0)	(473.6)	(505.0)	(488.7)
Revolving credit facility	-	-	(40.0)	(40.0)
Super senior term loan	-	-	(63.1)	(63.1)
Investor loan note	(206.9)	(206.9)	(186.6)	(186.6)
Financial liabilities(2)	(2,633.2)	(2,633.2)	(2,477.7)	(2,477.7)
	(3,173.7)	(3,142.3)	(3,117.3)	(3,101.0)

(1) Financial assets at amortised cost of £17.2m (2021: £12.2m) are made up of trade receivables £10.6m (2021: £7.2m), other receivables of £4.9m (2021: £2.5m) and loans to related parties of £1.7m (2021: £2.5m).

(2) Financial liabilities of £2,633.2m (2021: £2,477.7m) are made up of lease liabilities of £2,539.3m (2021: £2,402.7m), trade payables £10.6m (2021: £8.7m), capital payables £5.6m (2021: £2.9m), accruals £67.5m (2021: £52.6m) and other payables £10.2m (2021: £10.8m).

Financial assets at amortised cost and financial liabilities (excluding lease liabilities and finance lease payables) are due within one year.

Interest rate cap
On 30 July 2019, Travelodge Hotels Limited paid an upfront premium of £467k to purchase an interest rate cap in relation to the senior secured floating sterling denominated notes, on a notional amount of £300m.

The interest rate cap commenced in respect of payments due on 15 January 2020 and terminated on 15 October 2022.

As a result of the Bank of England's discontinuation of LIBOR, certain amendments were agreed with all relevant counterparties to effectuate a reference rate transition from LIBOR to Sterling Overnight Index Average (SONIA) including margin adjustments in respect of the period from the commencement date of the first interest period commencing on or after 30 September 2021 to the maturity date.

As per the terms of the cap, if LIBOR exceeded 1.5% after 15 October 2019 (subsequently if SONIA exceeded 1.3807% after 17 January 2022), Travelodge Hotels Limited would receive a cash settlement on the difference between the floating rate and the cap to cover a portion of the scheduled quarterly payments on a notional amount of £300m, up to 15 October 2022.

20 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The table below analyses financial instruments carried at fair value, by valuation method. The different levels are defined as follows:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques which uses inputs which have a significant effect on the recorded fair value that are not based on observable market data.

				2022
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets measured at fair value through profit and loss				
Derivatives (interest rate cap)	-	-	-	-
Total Derivatives	-	-	-	-

				2021
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets measured at fair value through profit and loss				
Derivatives (interest rate cap)	-	0.1	-	0.1
Total Derivatives	-	0.1	-	0.1

Risk

Capital risk management: The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes borrowings disclosed above, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

Interest rate risk: The Group finances its operations through borrowings. The Group borrows at floating rates and has previously used an interest rate cap to limit the interest paid with £300m of floating rate bonds of £440m being covered by the interest rate cap. The cap expired in October 2022 and the Group continues to keep interest rate risk under review but has not purchased a new cap given the current market volatility.

Liquidity risks: The Group has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Credit risk: The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. No collateral is held against liquid funds.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Currency exposures: At 31 December 2022, the Group had no material currency exposures that would give rise to net currency gains or losses being recognised in the income statement.

21 DEFERRED TAX

The following are the major deferred tax assets and (liabilities) recognised by the Group which are expected to be recovered or settled more than twelve months after the reporting year and movements thereon during the current and prior reporting year.

For 2022:

	Tax losses and hold-over relief	Accelerated tax depreciation and other timing differences	*Deferred tax asset*	Intangible and Right Of Use assets	*Deferred tax liability*	Total
	£m	£m	*£m*	£m	*£m*	£m
At 1 January 2022	2.7	76.1	78.8	(75.1)	(75.1)	3.7
(Charge)/credit to income	0.3	(3.1)	(2.8)	3.5	3.5	0.7
Foreign exchange movement in year	0.3	-	0.3	-	-	0.3
At 31 December 2022	3.3	73.0	76.3	(71.6)	(71.6)	4.7

	2022
Amounts expected to be recovered/(settled) in:	£m
No more than 12 months after the reporting year	-
More than 12 months after the reporting year	4.7
	4.7

For 2021:

	Tax losses and hold-over relief £m	Accelerated tax depreciation and other timing differences £m	*Deferred tax asset £m*	Intangible and Right of Use assets £m	*Deferred tax liability £m*	Total £m
At 1 January 2021	2.9	59.4	62.3	(58.6)	(58.6)	3.7
Credit/(charge) to income	-	16.7	16.7	(16.5)	(16.5)	0.2
Foreign exchange movement in year	(0.2)	-	(0.2)	-	-	(0.2)
At 31 December 2021	2.7	76.1	78.8	(75.1)	(75.1)	3.7

	2021
Amounts expected to be recovered in:	£m
No more than 12 months after the reporting year	-
More than 12 months after the reporting year	3.7
	3.7

There is an unrecognised deferred tax asset of £105.6m (2021: £151.2m) relating to tax losses and other timing differences. The Group carries out an assessment of the recoverability of these losses for each reporting period and, to the extent they exceed deferred tax liabilities within the Group, has not recognised any additional deferred tax asset. Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The deferred tax liability has been offset against the deferred tax asset, to the extent that a legal right of set-off exists.

22 PROVISIONS

	Property £m	Other £m	Total £m	2022 Property £m	Other £m	2021 Total £m
At 1 January	(1.5)	(6.5)	(8.0)	(0.4)	(6.7)	(7.1)
Cash spend	1.0	3.9	4.9	-	0.1	0.1
Additional provisions recognised	-	-	-	(1.0)	(3.5)	(4.5)
Release of provisions	-	0.1	0.1	-	3.6	3.6
Unwinding of discount of provisions	(0.1)	-	(0.1)	(0.1)	-	(0.1)
At 31 December	(0.6)	(2.5)	(3.1)	(1.5)	(6.5)	(8.0)
The balance can be analysed as:						
Due in less than one year	(0.3)	(0.9)	(1.2)	(1.1)	(4.5)	(5.6)
Due in greater than one year	(0.3)	(1.6)	(1.9)	(0.4)	(2.0)	(2.4)
Total	(0.6)	(2.5)	(3.1)	(1.5)	(6.5)	(8.0)

Provisions of £3.1m as at 31 December 2022 consists of public liability claims of £0.9m, onerous contract provisions of £0.5m relating to future rates liabilities on four empty and sub leased historic restaurant units and other provisions of £1.7m.

23 SHARE BASED PAYMENTS

Other reserves of £5.7m have been recognised on the balance sheet within Total Equity, in relation to the introduction of the Management Incentive Plan in 2022. The charge of £5.7m to the income statement for Equity Share Based Payments is described within this note.

Management Incentive Plan ("MIP")
Under the MIP, employees are issued Class L and Class L1, or Class K and Class K1 Ordinary Shares in Anchor Holdings S.C.A. ("Anchor"). A Class L, L1, K and K1 Shareholder employee can only benefit from the value of the Ordinary Shares if they are employed by the company or a group company on an exit event or partial exit.
The number of Shares in issue under the MIP are as follows:

		2022		2021
Class L/L1 shares	**Number of options**	**Weighted average exercise price £**	**Number of options**	**Weighted average exercise price £**
Outstanding at 1 January	-	-	-	-
Issues during the year	156,394	3.74	-	-
Outstanding at 31 December	156,394	3.74	-	-

23 SHARE BASED PAYMENTS (continued)

	2022		2021	
Class K/K1 shares	**Number of options**	**Weighted average exercise price £**	**Number of options**	**Weighted average exercise price £**
Outstanding at 1 January	-	-	-	-
Issues during the year	200	4,495	-	-
Outstanding at 31 December	200	4,495	-	-

Warrants Agreement

Under the warrant agreements, employees are issued warrants to subscribe to Class L and Class L1 Ordinary Shares in Anchor Holdings S.C.A. ("Anchor"). The warrants can be exercised one year from the grant date and lapse if the warrant holder ceases to be an employee of the group. Following exercise of the warrants, a Class L and Class L1 Shareholder can only benefit from the value of the Class L and Class L1 Ordinary Shares if they are employed by the company or a group company on an exit event or partial exit.

The number warrants granted to subscribe for Class L and Class L1 Shares are as follows:

	2022		2021	
Class L/L1 shares - warrants	**Number of options**	**Weighted average exercise price £**	**Number of options**	**Weighted average exercise price £**
Outstanding at 1 January	-	-	-	-
Issues during the year	31,314	-	-	-
Outstanding at 31 December	31,314	-	-	-

The warrants have not been exercised.

The subscription of Class L, L1, K and K1 Shares represent an equity-settled share-based payment. The warrants granted for the subscription of Class L and Class L1 Shares also represent an equity-settled share-based payment.

Equity-settled share-based payments

The weighted average fair value of options granted in the year was determined using the Binomial Lattice pricing model. The Binomial Lattice model is considered to apply the most appropriate valuation method due to the relatively short contractual lives of the options and the requirement to exercise within a short period after the employee becomes entitled to the shares (the "vesting date").

Service conditions, which includes continued employment, are taken into account by adjusting the number of options expected to vest at each reporting date.

Estimation has been applied in determining the accounting charge, within the valuation model itself, such as revenue growth and the discount rate on a pre-IFRS 16 basis (10.9% June subscription, 11.4% November warrants issue), and the vesting date, which is assumed to be 3 years from the date of the first issue.

The resulting charge is £3.4m in respect of costs for employees, and a further £2.3m within the settlement arrangements of the CEO who left during 2022 for health reasons.

Cash-settled share-based payments

In addition to the MIP and warrant arrangements, the company and employees of the MIP and warrants have entered into an arrangement whereby the company is obligated to settle the arrangement in cash should the proceeds be insufficient to cover the Class L, L1, K and K1 shareholders entitlement on an exit event. This arrangement represents a cash-settled share-based payment.

There is only a remote probability that the trigger for the cash settled arrangement would arise, and therefore the value of the liability has been measured at nil and has not been recognised.

As a result there is no liability for a future cash settlement recognised in the accounts.

24 SHARE CAPITAL

	2022 & 2021 Number of shares	2022 & 2021 £
Authorised:		
Ordinary shares of £0.000001 each	1,000,000	1

	2022 & 2021 Number of shares	2022 & 2021 £
Called up, allotted and fully paid:		
Ordinary shares of £0.000001 each	1,000,000	1

25 CAPITAL COMMITMENTS

Contracted future capital expenditure not provided for in these financial statements predominantly relates to expenditure on the refurbishment and maintenance of current hotels. At 31 December 2022 the capital commitment not provided for in the financial statements, subject to satisfactory practical completion, was £10.5m (2021: £7.8m).

26 RELATED PARTY TRANSACTIONS AND ULTIMATE CONTROLLING PARTY

At 31 December 2022, the Directors regard Anchor Holdings SCA as the ultimate parent undertaking and controlling party, a company incorporated in Luxembourg.

Thame and London Limited is the parent undertaking of the largest and smallest Group of undertakings to consolidate these financial statements at 31 December 2022. The consolidated financial statements of Thame and London Limited are available from Sleepy Hollow, Aylesbury Road, Thame, Oxfordshire, OX9 3AT.

Anchor Holdings SCA has provided the Company with investor loans totalling £135.0m (2021: £135.0m). The original investor loan note of £95.0m has a termination date of January 2026 with two subsequent tranches drawn in 2020, for £10.0m and £30.0m respectively, having a termination date of 2033. None of the accrued interest relating to these loans was repaid during 2022 (2021: £nil). The loan accrues interest at 15.0% (2021: 15.0%) per annum.

Interest accrued in the year is £20.3m (2021: £20.2m) and the total balance including accrued interest was £206.9m (2021: £186.6m).

Travelodge Hotels Limited has agreed to make loan facilities available to Anchor Holdings SCA and Anchor Holdings G.P.S.A up to a maximum of £2.2m (2021: £2.2m) and £0.6m (2021: £0.6m) respectively. At the balance sheet date, Anchor Holdings SCA and Anchor Holdings G.P.S.A had utilised £0.9m (2021: £1.4m) and £0.6m (2021: £0.5m) respectively with Anchor Holdings SCA making a repayment of principal of £1.0m in June 2022.
The loans accrue interest at 5.1% (2021: 8.0%) per annum. Interest accrued in the year was £0.1m (2021: £0.2m), with Anchor Holdings SCA making a payment of interest of £0.5m in June 2022. The total interest accrued at the balance sheet date was £0.2m (2021: £0.6m).

The Group entered into a new super senior £60m revolving credit facility agreement on 20 April 2020, with certain financial institutions that were indirect shareholders (or affiliates thereof) of Thame and London Limited. The facility was to fund general corporate and working capital requirements and was drawn down in full on 1 December 2020. On 1 September 2021 the super senior term loan was transferred at arm's length to an unconnected third party.

The OID fee of £1.9m incurred in respect of the drawdown of the £60m super senior term loan was repaid in full in January 2022. The full principal amount of £60m was then repaid in October 2022.

During the year the Group extended non-interest bearing loans to participants in its Management Incentive Scheme, of which the value to related parties (Directors) totalled £1.2m.

27 NOTE TO THE CASH FLOW STATEMENT

	2022	2021
	£m	£m
Operating profit / (loss)	263.6	145.0
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	154.1	144.5
Amortisation of other intangible assets	3.9	5.1
Impairment of fixed assets (notes 15 & 16)	-	0.3
Share based payments	5.7	-
Loss/ (Profit) on disposal of fixed assets	9.1	(20.3)
	172.8	129.6
Operating cash flows before movements in working capital	436.4	274.6
(Increase) in inventory	(0.4)	(0.5)
(Increase) in receivables	(1.8)	(2.5)
Increase / (decrease) in payables	50.3	8.2
Increase / (decrease) in provisions	(1.3)	(3.2)
Total working capital movement	46.8	2.0
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	483.2	276.6

28 POST BALANCE SHEET EVENTS

Under the terms of the CVA, Travelodge Hotels Limited are required to make an additional cash rental payment to Compromised Landlords based on the cumulative performance of the Group as discussed at Note 8. As we have exceeded this threshold we are obliged to pay an estimated £13.4m to these landlords in 2023 and have accrued that within these financial statements. Subsequent agreements with landlords will be taken into account for their individual payment calculations, which could reduce the overall value paid out. The payment is expected to be settled in full by the end of April 2023.

During January 2023, the Group repurchased £15.8m (nominal) of the floating rate loan notes in issue under a managed buy back programme at a discount of £0.8m to par, which have subsequently been cancelled.

On 27 January 2023 Travelodge Hotels Limited completed a lease regear transaction on 97 of the 122 Travelodge hotels leased by LXI REIT with the remainder subject to agreement by superior landlords. As part of the regear new caps and collars on rent reviews were agreed to limit rental increases, and lease extensions averaging nine years across the 122 hotels were secured. The approximate impact on lease liabilities as a result of this regear, had it been complete at 31 December 2022, would have been an increase of £10.3m due to the lease extensions and the updated discount rates as a result of the modification. The methodology used to determine the discount rates is consistent with modifications in the 2022 accounts and with prior years, and the rates are appropriate to the individual properties within the agreement.
A 16bps movement in discount rate impacts the lease liability by £3m.

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Called Up Share Capital £m	Profit and Loss Account £m	Total Shareholders' Deficit £m
Balance at 1 January 2022	-	(3.0)	(3.0)
Result for the financial year	-	-	-
Total comprehensive income for the year	-	-	-
Balance at 31 December 2022	-	(3.0)	(3.0)

For the year ended 31 December 2021

	Called Up Share Capital £m	Profit and Loss Account £m	Total Shareholders' Deficit £m
Balance at 1 January 2021	-	(3.0)	(3.0)
Result for the financial year	-	-	-
Total comprehensive income for the year	-	-	-
Balance at 31 December 2021	-	(3.0)	(3.0)

THAME AND LONDON LIMITED

PARENT COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 £m	2021 £m
FIXED ASSETS			
Investments	3	-	-
CURRENT ASSETS			
Debtors	4	206.9	186.6
TOTAL CURRENT ASSETS		206.9	186.6
TOTAL ASSETS		206.9	186.6
Creditors: Amounts falling due within one year	5	(3.0)	(3.0)
TOTAL ASSETS LESS CURRENT LIABILITIES		203.9	183.6
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Investor loan	9	(206.9)	(186.6)
NET LIABILITIES		(3.0)	(3.0)
CAPITAL AND RESERVES			
Called up share capital	6	-	-
Profit and Loss account	8	(3.0)	(3.0)
TOTAL SHAREHOLDERS' DEFICIT		(3.0)	(3.0)

The Company made a result in the year of £nil (2021: £nil).

These financial statements on pages 114 to 118 were approved by the Board of Directors and signed on its behalf by:

Aidan Connolly
Director

13 April 2023

Thame and London Limited Company registration number 08170768

1 GENERAL INFORMATION

The Company's legal form, country of incorporation, registered office, operations and principal activities are disclosed in Note 1 of the Group's financial statements.

Basis of preparation
These financial statements have been prepared in accordance with the Companies Act 2006 and FRS 102, with sections 11 and 12 (certain exemptions of the reduced disclosure framework) applied as detailed below.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted have been consistently applied throughout the year and are set out in note 2.

2 SIGNIFICANT ACCOUNTING POLICIES

Related party transactions

As permitted by FRS 102 (section 33) 'Related party disclosure' the Company has not disclosed related party transactions with wholly-owned subsidiaries, which are disclosed in the financial statements of the Group.

Employees

The Company has no employees (2021: nil).

Cash flow statement

Under FRS 102 (section 1), the Company is exempt from the requirement to prepare a cash flow statement as it has included the Company's cash flows in its own published consolidated financial statements.

Intercompany loans

Loans are initially recognised at fair value, net of transaction costs incurred. Loans are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the loans using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Loans are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Loans are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting year.

Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In this regard, the Directors believe that there are no critical accounting policies where judgements or estimations are necessarily applied.

3 INVESTMENTS

	Shares in subsidiaries £
Cost and net book value	
At 1 January 2022	1
At 31 December 2022	1

The Parent Company has investments in the subsidiary undertakings, as listed in the Subsidiary Undertakings note (consolidated financial statements note 13), which principally affect the profits or net assets of the Company. The Directors consider the value of the investments to be supported by the value of the underlying assets.

All subsidiary undertakings were acquired on 12 October 2012. The investment of £1 represents investment in Full Moon Holdco 4 Limited, the only directly owned subsidiary.

4 DEBTORS

	2022 £m	2021 £m
Amounts owed by Group undertakings	206.9	186.6

Amounts owed by Group undertakings are repayable on demand.

Interest accrued in the year is £20.3m (2021: £20.2m) and the total balance as at 31 December 2022 including accrued interest was £206.9m (2021: £186.6m). Interest is accrued at 15% (2021: 15%).

The Group has three tranches of investor loan notes totalling £135.0m in issue as at 31 December 2022 (2021: £135.0m), with £95.0m having a termination date of January 2026 and the two subsequent tranches of £10m and £30m respectively have termination dates in 2033.

5 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022 £m	2021 £m
Amounts owed to Group undertakings	(3.0)	(3.0)

Amounts owed to Group undertakings are unsecured, non-interest bearing and repayable on demand.

6 CALLED UP SHARE CAPITAL

	2022 & 2021 Number of shares	2022 & 2021 £
Authorised:		
Ordinary shares of £0.000001 each	1,000,000	1

	2022 & 2021 Number of shares	2022 & 2021 £
Called up, allotted and fully paid:		
Ordinary shares of £0.000001 each	1,000,000	1

7 PROFIT AND LOSS

As permitted by Section 408 of the Companies Act 2006 the Company has elected not to present its own Income Statement for the year.

The Company made a result in the year of £nil (2021: result of £nil).

8 PROFIT AND LOSS ACCOUNT

	2022 £m	2021 £m
At 1 January	(3.0)	(3.0)
Result for the financial year	-	-
At 31 December	(3.0)	(3.0)

9 RELATED PARTY TRANSACTIONS AND ULTIMATE CONTROLLING PARTY

At 31 December 2022, the Directors regard Anchor Holdings SCA as the ultimate parent undertaking and controlling party, a company incorporated in Luxembourg.

Thame and London Limited is the parent undertaking of the largest and smallest Group of undertakings to consolidate these financial statements at 31 December 2022. The consolidated financial statements of Thame and London Limited are available from Sleepy Hollow, Aylesbury Road, Thame, Oxfordshire, OX9 3AT.

Anchor Holdings SCA has provided the Company with investor loans totalling £135.0m (2021: £135.0m). The original investor loan note of £95m has a termination date of January 2026 and two subsequent tranches of £10.0m and £30.0m respectively have a termination date of 2033. None of the accrued interest relating to these loans was repaid during 2022 (2021: £nil). The loan accrues interest at 15.0% (2021: 15.0%) per annum.

Interest accrued in the year is £20.3m (2021: £20.2m) and the total balance as at 31 December 2022 including accrued interest was £206.9m (2021: £186.6m).

ALTERNATIVE PERFORMANCE MEASURE (APM)

The Group uses the non-statutory alternative performance measures 'EBITDA (adjusted)' and 'Free Cash Flow' to monitor the financial performance of the Group internally. This measure is not a statutory measure in accordance with IFRS.

We report these measures because we believe it provides both management and other stakeholders with useful additional information about the financial performance of the Group's businesses.

APMs are not defined by IFRS and therefore may not be directly comparable with similarly titled measures reported by other companies. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measures.

We believe the non-IFRS measures are useful metrics for investors to understand our results of operations, profitability and ability to service debt and because they permit investors to evaluate our recurring profitability from underlying operating activities.

We also use these measures internally to track our business performance, establish operational and strategic targets and make business decisions. We believe EBITDA (adjusted) facilitates operating performance comparisons between periods and among other companies in industries similar to ours because it removes the effect of variation in capital structures, taxation, and non-cash depreciation, amortisation and impairment charges, which may be unrelated to operating performance. We believe EBITDA (adjusted) is a useful measure of our underlying operating performance because it excludes the impact of items which are not related to our core results of operations, including certain one-off or non-recurring items and more closely aligns the recognition of rent free periods and rent reductions in profitability with the corresponding cash impact.

In line with the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority, we have provided additional information on the APMs used by the Group below, including full reconciliations back to the closest equivalent statutory measure.

ALTERNATIVE PERFORMANCE MEASURE (APM) (CONTINUED)

Income Statement Measures

Reference	APM	Definition
I	Before IFRS 16	The performance under accounting principles prior to the adoption of IFRS 16.
II	EBITDA (adjusted)	Earnings before interest, tax, depreciation and amortisation and non-underlying items, on a pre-IFRS 16 basis, and before rent phasing adjustment. In this measure, the rent reductions agreed during the CVA (for 2020 and 2021) are recognised in the year in which the benefit occurred (in order to closely reflect cash payments), and the benefit of rent free periods agreed in the ordinary course of rent negotiation, are spread on a straight line basis until the next rent review (normally five years from initial agreement). Non-underlying items have been removed as they are related to items that are considered to be significant in nature and quantum, and not in the normal course of business. The calculation for this measure is consistent with prior years.
III	Frozen GAAP	The performance under accounting principles prior to the adoption of IFRS 16.
IV	Net external rent payable / receivable	Net external rent payable / receivable is the net of rent receivable and rent payable (before IFRS 16) before the rent phasing adjustment. External rent payable (before IFRS 16) before the rent phasing adjustment reflects the rental amounts accrued adjusted for rent free periods by spreading these over the period to the next rent review date (usually around five years) and recognises the rental agreed, for the 2020 and 2021 financial years, during the 2020 CVA in line with the actual rent paid in respect of each year.
V	Rent phasing adjustment	EBITDA (adjusted) is the measure used for internal management reporting. The rent phasing adjustment reflects the timing difference between the rent charge for the year in our internal management reporting measure EBITDA (adjusted) and the rent charge for the year under previous IFRS. In many of our leases we receive a rent free period at the beginning of the lease term. According to the straight lining of leases principle under previous IFRS, the benefit of this rent free period is recognised in our income statement as a deduction to the actual rent expense in each year, on a straight line basis, over the full life of each lease, with the unrecognised balance being held as an accrual on our balance sheet. Similarly, any credit relating to the rent reductions (for the financial years 2020 and 2021) resulting from the CVA is also recognised on a straight line basis over the remaining life of each lease. As a result, our total before IFRS 16 rent expense does not reflect our cash payments of rent in any year. EBITDA (adjusted) in each year recognises the portion of the rent free credit attributable to such year as if such credit were applied on a straight line basis until the next rent review, normally five years, and recognises the reductions resulting from the CVA in line with the actual rent paid in respect of each year, which more closely aligns to cash payments.
VI	Like-for-like RevPAR Like-for-like occupancy Like-for-like average room rates	Revenue per available room, occupancy and average room rate (net of VAT) for UK hotels that have been open for at least two years at the end of the current year on a management reporting period basis. For management reporting purposes we use a 5-4-4 week accounting calendar. This accounting method divides our fiscal year into four quarters, each comprising two periods of four weeks and one period of five weeks. We have adopted this accounting method because it allows us to manage our business on the basis of 52 weekly periods which consistently end on the same day of the week and our like-for-like reporting is prepared on this basis for consistency.

ALTERNATIVE PERFORMANCE MEASURE (APM) (CONTINUED)

Reconciliation of Statutory Loss to EBITDA (adjusted)[II]:

	2022 £m	2021 £m
Statutory Loss before tax	(0.5)	(102.2)
Net Finance Costs	264.1	247.2
Operating Profit	263.6	145.0
Non-underlying Operating Items (see note 8)	22.8	(30.2)
Underlying Operating Profit	286.4	114.8
Depreciation, Amortisation – Underlying	158.0	149.6
Loss on disposal of fixed assets - Underlying	7.2	-
Rent payable[(1)]	(238.7)	(183.3)
EBITDA (adjusted)[II]	212.9	81.1

(1) Since the adoption of IFRS 16, operating lease rent is no longer charged to the statutory profit & loss account. Rent payable reflects 'Before IFRS 16[I]' rental amounts accrued adjusted for rent free periods by spreading these over the period to the next rent review date and recognises the credit attributable to reductions resulting from the CVA in line with the actual rent paid in respect of each year.

EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation, and before rent phasing adjustment, non-underlying items and reflective of the position in line with the accounting principles applicable to the previous year for purposes of comparability (before IFRS 16). This measure reflects the rent reductions in 2021 following the CVA which completed on 19 June 2020, recognised in line with the cash benefit. Non-underlying items have been removed as they are related to items that are considered to be significant in nature and quantum, and not in the normal course of business.

Finance costs

	2022			2021		
	Paid £m	Balance sheet movement £m	Total £m	Paid £m	Balance sheet movement £m	Total £m
Finance fees[(1)]	0.0	5.2	5.2	0.2	3.5	3.7
Interest on bank loans	9.5	(2.3)	7.2	5.9	2.9	8.8
Interest on fixed and floating rate bonds	33.2	2.4	35.6	29.7	0.1	29.8
Interest on obligations under finance leases[(1)]	1.8	(0.1)	1.7	1.2	0.3	1.5
Unwinding of discount on provisions[(1)]	-	0.5	0.5	-	0.4	0.4
Finance costs before interest on investor loan and IFRS 16 – underlying	44.5	5.7	50.2	37.0	7.2	44.2
Interest on investor loan	-	20.3	20.3	-	20.2	20.2
Fees in relation to restructuring of debt	-	3.3	3.3	-	-	-
Finance costs (before IFRS 16[I]) – underlying	44.5	29.3	73.8	37.0	27.4	64.4
IFRS 16 adjustment[(1)]	215.0	(22.8)	192.2	171.9	11.1	183.0
Finance costs	259.5	6.5	266.0	208.9	38.5	247.4

(1) The total IFRS 16 notional interest charge on lease liabilities is £194.4m (2021: £184.8m). The IFRS 16 adjustment excludes the following items already included within finance costs (before IFRS 16): £1.7m (2021: £1.5m) in respect of interest on finance leases, and £0.5m (2021: £0.3m) in respect of unwinding of discount on provisions.

ALTERNATIVE PERFORMANCE MEASURE (APM) (CONTINUED)

Analysis of results by geographical region

	2022			2021		
	UK £m	International £m	Total £m	UK £m	International £m	Total £m
Revenue – underlying	895.1	14.8	909.9	553.6	6.2	559.8
Revenue – non-underlying[III]	0.9	-	0.9	6.9	-	6.9
Revenue	896.0	14.8	910.8	560.5	6.2	566.7
EBITDA (adjusted)[II]	209.7	3.2	212.9	83.1	(2.0)	81.1

ALTERNATIVE PERFORMANCE MEASURE (APM) (CONTINUED)

Cash Flow Statement Measures

Reference	APM	Definition
I	Before IFRS 16	The performance under accounting principles prior to the adoption of IFRS 16.
II	EBITDA (adjusted)	Earnings before interest, tax, depreciation and amortisation and non-underlying items, on a pre-IFRS 16 basis, and before rent phasing adjustment. In this measure, the rent reductions agreed during the CVA (for 2020 and 2021) are recognised in the year in which the benefit occurred (in order to closely reflect cash payments), and the benefit of rent free periods agreed in the ordinary course of rent negotiation, are spread on a straight line basis until the next rent review (normally five years from initial agreement). Non-underlying items have been removed as they are related to items that are considered to be significant in nature and quantum, and not in the normal course of business. The calculation for this measure is consistent with prior years.
III	Free Cash Flow	Cash generated before interest, non-underlying costs, spend on provisions and financing.
IV	Working Capital	Working capital movement is stated before non-underlying movements, before rent phasing adjustment and before the impact of IFRS 16.

Reconciliation of net cash flows from operating activities before non-underlying items to net cash generated from operating activities:

	2022 Before IFRS 16[I] £m	2021 Before IFRS 16[I] £m
EBITDA (adjusted)[II]	212.9	81.1
Working capital[IV]	29.7	1.2
Net cash flows from operating activities before non-underlying items	242.6	82.3
Cash spend on non-underlying items through working capital(1)	(4.9)	(3.3)
Cash flows from operating activities	237.7	79.0
Corporate tax	(3.6)	0.4
Net cash generated from / (used in) operating activities	234.1	79.4

(1) includes £3.9m tax enquiry settlement, £1.0m payments to compromised creditors under the terms of the CVA, £1.0m onerous lease payments, £1.4m outflow in respect of compensation for loss of office relating to the departure of the CEO in May 2022, £0.9m outflow for professional fees in connection with the design and implementation of a new senior management incentive plan and £0.3m spend on other provisions. In 2021, net cash spend from non-underlying items through working capital of £3.3m included a net £2.8m outflow relating to accrued costs, £0.4m cash spend on Spanish onerous lease provisions and £0.1m spend on other provisions.

	2022 £m	2021 £m
Total working capital movement (note 27)	47.3	2.0
Less rent working capital movement	(25.2)	26.2
Working capital movement before IFRS 16[I]	22.1	28.2
Less non-underlying before IFRS 16 (provisions and non-underlying items)	3.8	17.0
Less rent phasing adjustment before IFRS 16[I]	3.8	(44.0)
Working capital[IV]	29.7	1.2

ALTERNATIVE PERFORMANCE MEASURE (APM) (CONTINUED)

Consolidated Cash Flow Statement Memorandum

Memorandum - Analysis of free cash flow[III]

	2022 £m	2021 £m
EBITDA (adjusted)[II]	212.9	81.1
Working capital[IV]	29.7	1.2
Net cash flows from operating activities before non-underlying items	242.6	82.3
Capital expenditure	(74.8)	(34.4)
Free cash flow[III] generated from / (used in) the year	167.8	47.9
Non-trading cash flow		
Finance fees paid	-	(0.2)
Interest paid	(42.7)	(35.6)
Interest income	1.8	-
Finance lease rental interest payments	(1.8)	(1.2)
Cash spend on provisions and non-underlying items(1)	(4.9)	(3.3)
Corporate tax(2)	(3.6)	0.4
Non-trading cash flow	(51.2)	(39.9)
Cash generated/ (used)	116.6	8.0
Opening Cash	142.8	136.2
Cash generated / (used)	116.6	8.0
Proceeds of term loan	(61.9)	-
Drawdown of revolving credit facility	(40.0)	-
Finance issue costs	(3.3)	(1.4)
Closing Cash	154.2	142.8
Opening external net debt	(454.7)	(456.7)
Net increase in aggregate cash	11.4	6.6
Drawdown of term loan and OID fee	61.9	-
Drawdown of revolving credit facility	40.0	-
Net amortised bond transaction costs	(2.3)	(2.3)
Capitalised term loan interest	1.2	(1.2)
Net amortised revolving credit facility transaction costs	(2.8)	(1.1)
Closing external net debt	(345.3)	(454.7)

(1) Includes £1.0m payments to compromised creditors under the terms of the CVA, £1.0m onerous lease payments, £1.4m outflow in respect of compensation for loss of office relating to the departure of the CEO in May 2022, £0.9m outflow for professional fees in connection with the design and implementation of a new senior management incentive plan and £0.3m spend on other provisions. In 2021, net cash spend on provisions and non-underlying items of £3.3m included legal and professional fees in connection with the initial landlord consensual proposal and the subsequent CVA, legal and advisors' fees and management incentives relating to the previous restructuring of the Group's debt and other corporate activities, as well as onerous contract provision on sub-leases of £0.5m.

(2) Includes £3.6m settlement for the HMRC tax enquiry in 2022

ALTERNATIVE PERFORMANCE MEASURE (APM) (CONTINUED)

Balance Sheet Measures

Reference	APM	Definition
I	Before IFRS 16	The performance under accounting principles prior to the adoption of IFRS 16.

Debt
The analysis of funding excludes operating lease liabilities under previous IFRS as our APMs deduct rent payable for these leases, and lease liabilities were not reported as debt before IFRS 16[I]:

Memorandum - Analysis of net funding

	Note	2022 £m	2021 £m
Cash at bank		154.2	142.8
External debt redeemable (excluding lease liabilities):			
Senior secured fixed rate bond	20	(65.0)	(65.0)
Senior secured floating rate bond	20	(440.0)	(440.0)
Revolving credit facility	20	-	(40.0)
Super senior term loan	20	-	(63.1)
Issue costs	20	5.5	10.6
Gross debt		(499.5)	(597.5)
External net debt		(345.3)	(454.7)
Finance Leases		(14.5)	(14.7)
Net debt before investor loan		(359.8)	(469.4)
Investor loan	20	(206.9)	(186.6)
Net debt		(566.7)	(656.0)

ALTERNATIVE PERFORMANCE MEASURE (APM) (CONTINUED)

Obligations under finance leases (before IFRS 16[I])
The Group has 4 properties (2021: 4 properties) which have been classified as finance leases with a weighted average lease term remaining of 45 years (2021: 47 years), including landlord options to extend leases which haven't yet been exercised.

	2022 £m	2021 £m
Amounts payable under finance leases		
Due within one year	1.4	1.6
Due between two and five years	6.8	6.7
Due beyond five years	67.4	69.2
	75.6	77.5
Less future finance charges	(61.1)	(62.8)
Amounts due after settlement after 12 months (capital liability)	14.5	14.7

Onerous lease provisions
In reaching its adjusted EBITDA, the Group has provided for operating lease rentals where these were above the market rate, causing the hotel to be loss making or where we consider it improbable that trading profits will be generated, or where the Group has subsequently vacated the property and rental income is less than the rental expense, or where it is probable that a previously sublet unit will revert to the Group. The element of the rental which is above market, causing the hotel to be loss making or where we consider it improbable that trading profits will be generated, or above any rental cost paid relating to vacated properties is charged against the provision. Provisions are also made for business rates that the Group is liable to on empty sites and on hotels where it is considered improbable that trading profits will be generated. The key estimation judgement in determining the onerous amount is the period over the remaining lease term that the property will remain either rented or vacant. The Directors have estimated these periods after considering both the quality and the location of each of the units provided for. The cash flows are discounted at 5.8% (2021: 3.3%) which represents a risk-free and pre-tax rate based on 25 year government gilt and further adjusted for property risk. Since 2019, under IFRS 16 the onerous lease provisions relating to rent are reclassified to right of use assets, leaving only the provisions relating to rates.

ALTERNATIVE PERFORMANCE MEASURE (APM) (CONTINUED)

Operating Lease Commitments before IFRS 16[I]

Total commitments under operating leases before IFRS 16[I] amounted to:

	Before IFRS 16[I] 2022			Before IFRS 16[I] 2021		
	UK £m	**International £m**	**Total £m**	**UK £m**	**International £m**	**Total £m**
Due within one year	239.9	4.6	244.5	225.4	4.1	229.5
Due between two and five years	972.1	17.7	989.8	913.0	15.9	928.9
Due beyond five years	3,020.6	32.7	3,053.3	2,969.2	30.3	2,999.5
Total	4,232.6	55.0	4,287.6	4,107.6	50.3	4,157.9
	UK Years	**International Years**	**Total Years**	**UK Years**	**International Years**	**Total Years**
Average lease term remaining	14.2	9.9	13.9	14.8	9.9	14.7

The leases are standard operating leases with normal commercial terms, typically 25 years (though a number of city centre and London properties have 35 year terms), subject to standard upward only rent reviews, with the majority based on RPI indices (though some with caps and collars, some at open market value and others based on CPI), with Group only renewal rights at the end of the lease. The figures above exclude landlord options to extend leases which have not yet been exercised (which are included in the lease liability under IFRS 16 per note 19).

Contractual undiscounted lease payments - maturity analysis

	Property 2022 £m	**Total 2022 £m**
Within one year	246.6	246.6
Greater than one year but less than five years	1,003.6	1,003.6
Greater than five years but less than ten years	1,254.2	1,254.2
Greater than ten years but less than fifteen years	1,207.8	1,207.8
Greater than fifteen years	1,714.7	1,714.7
Total undiscounted lease payments at 31 December 2022	5,426.9	5,426.9

	Property 2021 £m	**Total 2021 £m**
Within one year	231.9	231.9
Greater than one year but less than five years	920.1	920.1
Greater than five years but less than ten years	1,142.5	1,142.5
Greater than ten years but less than fifteen years	1,115.3	1,115.3
Greater than fifteen years	1,747.0	1,747.0
Total undiscounted lease payments at 31 December 2021	5,156.8	5,156.8

The figures above comprise both finance and operating leases and include landlord options to extend leases which have not yet been exercised (which are included in the lease liability under IFRS 16 per note 19).